Global Tax News

A monthly media round-up of news, views and comment pertaining to global taxation

Tuesday 12th March 2019

NORTH AMERICA

Treasury issues FDII regulations

The Treasury Department has proposed the final major international tax regulation under the Tax Cuts and Jobs Act, outlining how businesses can claim a break related to certain foreign sales. The Foreign-Derived Intangible Income (FDII) benefit will let U.S. companies' domestic operations get a 13.125% tax rate on some income, instead of the general 21% corporate tax rate. Treasury officials say the new break should be viewed as part of the broader law that tries to limit companies' ability to shift profits into low-tax jurisdictions. However, it could be open to challenge at the World Trade Organisation, as an impermissible export subsidy, and may also be reviewed by the OECD as a harmful tax practice.
Wall Street Journal *Bloomberg*

TCJA helps U.S. banks to $28bn in extra profits

Federally insured U.S. banks made more than $28bn in additional profits in 2018 due to the Tax Cuts and Jobs Act, according to a report. The Federal Deposit Insurance Corporation (FDIC) revealed that the nation's 5,406 federally insured banks made in $236.7bn in profits last year, including $28.8bn more than they would have recorded under the previous tax regime. The Republican tax-cut bill reduced the corporate income tax rate to 21% from 35%. U.S. banks would have made an estimated $207.9bn in profits in the 2018 and $50.3bn in the fourth quarter without the benefits of a cut.
The Hill

Warren Buffet: America's wealthiest are 'undertaxed'

Billionaire investor Warren Buffett has said that America's wealthiest residents "are definitely undertaxed" compared with the majority of the country. Speaking to *CNBC*, he said: "As we get more specialized, the rich will get richer. The question is: How do you take care of a guy who is a wonderful citizen whose father died in Normandy and just doesn't have market skills? I think the income tax credit is the best way to address that. That probably means more taxes for guys like me, and I'm fine with it." A long-time advocate of higher taxes for the country's richest people, Mr Buffett's latest comments come at a time when Democratic presidential hopefuls Sens. Elizabeth Warren (D-MA) and Bernie Sanders (I-VT) have made tax increases a key plank of their platforms. Sen. Warren's "ultra-millionaire" tax would apply to people with more than $50m in assets and is projected to raise $2.75tn over a

10-year period, according to her team, while Sen. Sanders has proposed hiking estate taxes for rich heirs.
CNBC *CBS News*

H&R Block agents undertook 'empathy training'

In addition to the 30 hours of training H&R Block gives its returning tax professionals ahead of each tax season, to ensure they are up to speed with any changes in rules and regulations, this year they were also given "empathy training," which included a "refund surprise training module" to coach their responses to clients shocked or upset by a lower tax refund or a surprise tax bill. The training put up such scenarios as a client who received a $1,500 refund last year, but learned this year that she owed $575 because she didn't adjust her withholdings under the new tax laws.
New York Post

Wall Street looks to opportunity funds for big tax breaks

Hedge funds, investment banks and money managers are trying to raise tens of billions of dollars to take advantage of so-called opportunity funds. Created by the Tax Cuts and Jobs Act, the provision seeks to steer investment to economically distressed areas by offering potentially large tax breaks. The provision that created the funds was added to the tax law by Senator Tim Scott, Republican of South Carolina, and had been supported by Democrats and Republicans in previous legislation. It lowers capital gains taxes for investors who finance projects in about 8,700 so-called opportunity zones spread across the 50 states, the District of Columbia and Puerto Rico. More than 80 of the funds have sprung up since January 2018, even though the Trump administration has not finalized regulations governing them.
New York Times

Canada's Federal Tax Agency targets bitcoin users

Users of bitcoin and other crypto assets in Canada have been targeted by the Canada Revenue Agency (CRA) with audits, according to reports. The agency is sending comprehensive questionnaires to fill out regarding users' bitcoin-related activity over the past years. A media contact at the CRA is quoted in Forbes as saying: "As a world-class tax administration, the CRA is . . . committed to adapting its administration to keep pace with evolving global services and products, and making key investments to effectively address the new ways of doing business in the global economy."
Forbes

Treasury rejects claims it manipulated tax withholding

The U.S. Treasury Department has strongly rejected complaints by congressional Democrats that it manipulated tax withholding last year in order to boost workers' paychecks ahead of the midterm elections. "There was absolutely no manipulation of the tables and no 'phantom windfall' in taxpayers' paychecks," J. Brady Howell, a senior adviser in Treasury's legislative affairs office, said in a letter this week to Sen. Ron Wyden (D-OR), the ranking Democrat on the Senate Finance Committee. He added that such suggestions are "misinformed, baseless and false."
The Hill *Politico*

Amazon paid no federal income tax in 2018

Amazon almost doubled its profits in 2018, according to an SEC filing earlier this month, earning a record $11.2bn, but for the second year in a row paid no federal income tax, due to the leveraging of unspecified tax credits and stock-based compensation deductions. The Institute on Taxation and Economic Policy reports that instead, the company received a federal income tax rebate of $129m.
Fox Business *Fortune*

Lawmakers introduce bill to make tax code LGBT-inclusive

Reps. Judy Chu (D-CA) and Andy Levin (D-MI) have introduced a bill that would update the U.S. Tax code to swap gender-specific references such as "husband" and "wife" for neutral terms such as "spouse." "This is a simple and common sense fix that acknowledges LGBTQ couples as equals. The Supreme Court has recognized that love is love, no matter your gender identity. It's time our tax code does the same," Rep. Chu said.
The Hill *NBC News*

EUROPE

France introduces digital tax for large firms

The French government has introduced a 3% tax on the French revenues of large internet firms in an effort to get around tax avoidance measures which mean some large companies pay little tax in countries where they have vast operations. French finance minister Bruno Le Maire announced that the GAFA tax – named after the initials for Google, Apple, Facebook and Amazon - will apply to digital companies that have global revenues of over €750m and French revenue over €25m. The *FT* reports that tech entrepreneurs have questioned the move, while Pia d'Iribarne of venture capital firm Stride said it "looks like a setback" in efforts to create a "start-up nation" in France.
France 24 *The Daily Telegraph* *The Times* *Financial Times*

EU states set to scrap digital tax plan

A document suggests that the EU's finance ministers intend to scrap plans for an EU-wide digital tax, agreeing instead to work on a global reform of the taxation of internet firms prepared by the Organisation for Economic Co-operation and Development. A document prepared ahead of an EU finance ministers meeting on March 12th has seen the Romanian presidency of the EU warn that "a number of delegations continue to have fundamental objections" to the proposed digital tax.
Reuters

EU set to widen tax haven blacklist

EU countries are set to add 10 jurisdictions to a draft tax haven blacklist in a move that will triple the number of listed countries. Oman and Caribbean and Pacific islands are among those to be added to the new list which currently includes five jurisdictions - Samoa, Trinidad and Tobago and the three United States' territories of American Samoa, Guam, and the US Virgin Islands. EU envoys are weighing whether to add the United Arab Emirates and the British territory of Bermuda to the blacklist. Italy objects to the inclusion of the United Arab Emirates, reports *Reuters*.
Euronews *Reuters*

1 in 3 British billionaires have moved to tax havens

Analysis by *The Times* shows that almost a third of British billionaires have moved to tax havens or are in the process of doing so, with 28 of Britain's 93 billionaires relocating. The study also shows that Britons in tax havens and their UK companies have made £5.5m in political donations since 2009 – with the Conservatives raising more than £1m from Britons living in tax havens in the three months before the 2017 general election. The *Times* notes that those becoming non-UK resident for tax purposes can maintain ownership of companies registered in the UK while avoiding 38.1% UK income tax on dividends and 20% capital gains tax on the sale of shares, and will instead be subject to their local tax regime. Those staying outside Britain for five tax years can return without having to pay the capital gains tax they saved.
The Times *The Times*

Barclays and Bank of Ireland sued for £180m over tax-avoidance scheme

The Bank of Ireland and Barclays are being sued as part of a £180m lawsuit brought by investors in the Eclipse film financing scheme the banks were involved in. HMRC ruled that the vehicle was a tax-avoidance scheme. David Greene, senior partner of law firm Edwin Coe, said: "Letters before action have been sent to Barclays and Bank of Ireland spelling out the case against them." Nick Wood, of Newport Tax Management, which is representing more than 400 of the investors, said: "These schemes appeared to be legitimate but were often little more than get-rich-quick schemes for the bankers and promoters."
City AM

UK's Financial Services Bill vote is postponed

The UK government has delayed its scheduled debate on financial services to stave off a likely defeat over tax havens, with ministers pulling the Financial Services (Implementation of Legislation) Bill - part of a raft of legislation that the Government needs to pass to avoid constitutional disruption in the event of a no deal Brexit. Over 40 MPs had signed an amendment to the Financial Services Bill that would have forced greater tax transparency on the UK's crown dependencies. MP Margaret Hodge, who tabled the amendment calling for crown dependencies to create public registers of beneficial ownership, said: "Public registers are the next big step for tackling money laundering and tax evasion." Shadow Chancellor John McDonnell criticised the delaying of the Bill, saying: " The Government has been a friend to tax avoiders for too long."
The Times *Daily Mail* *The Independent*

Brussels warms up tax complaints

The European Commission has used its annual report on the UK to voice concern over dividend tax arrangements, which it claimed made Britain attractive for "treaty shopping" and "aggressive tax planning.". The allegations from Brussels stem from arrangements that allow a foreign company to pay a dividend to a UK incorporated company which can then pay a dividend to another overseas company without incurring any tax. Other jurisdictions apply a withholding tax, which can be reclaimed if double taxation is proved.
The Times

UBS to appeal tax fraud fine

UBS has been fined €4.5bn in a French tax fraud case. A court in Paris found that the Swiss bank had illegally helped French clients hide billions of euros from French tax authorities between 2004 and 2012. UBS said it had consistently contested any criminal wrongdoing and would appeal against the verdict. The biggest previous money-laundering settlement was the $1.9bn paid in the US by HSBC for helping Mexican drug lords.
CNN Business *Wall Street Journal* *Financial Times* *The Daily Telegraph* *The Times* *International Adviser*

Ineos trio plan offshore tax run

The Sunday Times reports that Sir Jim Ratcliffe, boss of chemicals giant Ineos and Britain's richest man, has been working with PwC on a plan that would enable him and two other senior executives to avoid tax by taking funds offshore. The trio have been planning to move to Monaco in and take between £1bn and £10bn offshore, avoiding up to £4bn in UK taxes. A source told the paper the plans involve "labyrinthine" structures and have caused alarm at PwC which consulted its public interest body about the potential for reputational damage.
The Sunday Times *The Sunday Times*

Sweden proposes greater powers for tax authority

Sweden is proposing a bill that will give the country's tax authority greater powers to investigate suspected money laundering. "Money laundering is often closely linked to tax offences and therefore it is important that the tax authority be given the ability to conduct independent intelligence efforts regarding such crimes," Finance Minister Magdalena Andersson said in a statement.
Reuters

Spanish tax authorities target Shakira for £12.4m

A Spanish court is investigating pop star Shakira for possibly evading €14.5m ($23m) in taxes. Prosecutors allege she did not pay tax in Spain from 2012 to 2014 and used firms in tax havens to hide income. They have called on her to testify in June. Shakira's representatives said in a statement after the accusation was filed that the singer did not live in Spain until 2015 and had met all of her tax obligations.
ABC News *Reuters*

Swiss solutions to wealth tax conundrums

Martin Sandbu explores Swiss local governments' different leveraging of wealth taxes. Despite criticism of wealth taxes in other countries, need among Swiss "boroughs" creates a floor for effective tax competition.
Financial Times

Daimler chief backs higher taxes for commercial diesels

The chief executive of Daimler Trucks, Martin Daum, has called for EU countries to impose higher taxes on commercial diesel vehicles to help drive the switch to electric.
Financial Times

Christian investors to target Exxon, Amazon and Broadcom on tax

Christian investors controlling £21bn of funds have formed a coalition to pressure leaders of Russell 50 and FTSE 350 companies on the transparency of their corporate tax affairs.
Financial Times

AFRICA

Nigeria calls in tax bills

Nigeria has ordered foreign oil and gas companies to pay nearly $20bn in taxes it says are owed to local states, with Chevron, Eni, Equinor, Exxon Mobil, Royal Dutch Shell and Total each asked to pay between $2.5bn and $5bn. In a letter sent to the companies earlier this year, the Nigerian National Petroleum Corp (NNPC) cited what it called outstanding royalties and taxes for oil and gas production.
The Times *Business Day* *Pulse*

Ugandans quit internet services in wake of social media tax

Millions of Ugandans have abandoned social media following the imposition of taxes on the use of networking sites and on financial transactions using mobile phones. The daily tax, introduced in July last year, has hit more than 60 online platforms including Facebook, WhatsApp and Twitter. A levy of 200 Ugandan shillings (4p) a day is paid to use such sites. The tax seeks to counter "idle talk" online.
The Guardian

Help Africa by exposing illicit offshore wealth

In a letter to the *FT*, Matti Kohonen of Christian Aid welcomes the additional £47m in UK aid to help collect taxes owed in Africa, noting that IMF estimates suggest African countries lose 1.5% of GDP due to corporate tax dodging.
Financial Times

UK to step up help to fight tax evasion in Africa

The UK is to step up efforts to help reduce tax evasion in Africa, with the Department of International Development allocating £47m to strengthen tax systems.
Financial Times

LATIN AMERICA

Sao Paulo state to offer tax incentives to automakers

Sao Paulo state, the historical centre of Brazil's auto industry, is to offer new tax incentives to car makers following the recent news that Ford is shuttering a local plant with 3,000 employees. Sao Paulo state Governor Joao Doria is offering a discount of as much as 25% over Brazil's ICMS value-added tax to automakers which invest at least 1 billion reais ($258.78m) and create 400 jobs.

Reuters *Financial World*

MIDDLE EAST

Hapoalim sets aside additional $246m for U.S. tax probe

Israel's Bank Hapoalim has announced it will set aside an additional $246m to cover a potential settlement of a U.S. investigation into possible tax evasion by the bank's clients, taking its total provisions to $611m. Hapoalim, which has suspended dividend payments due to the uncertainty caused by the investigation, said its last meeting with Department of Justice officials was held on March 5th. "It is reasonable to assume the total amounts which the bank will pay to settle with the American authorities, if achieved, will be significantly higher," it added.

Reuters *Globes*

Saudi Arabia denies plans to hike Islamic tax

Saudi Arabia is denying reports that it has tabled a proposal to increase an Islamic tax paid by local banks and investors from 10% to 20%. The General Authority of Zakat and Tax (GAZT) said that, contrary to a *Bloomberg* report, it is not in discussions with investors about such an increase.

Gulf Daily News *Saudi Gazette* *The National*

ASIA-PACIFIC

China unveils $298bn tax cuts to boost growth

Chinese number two Li Keqiang has outlined plans to cut billions of dollars in taxes in order to boost the world's second-largest economy. Mr Li told 3,000 delegates at the National People's Congress that China would aim to deliver nearly 2 trillion yuan ($298bn) of cuts in taxes and other company fees. A value-added tax for transportation and construction sectors will be reduced from 10% to 9%, and VAT for manufacturers will fall from 16% to 13%, he said.

BBC News *South China Morning Post* *China Daily*

Trump seeks reciprocal tax from India

President Trump has said that he wants a reciprocal tax or at least some kind of tax from India, which described as a very high-tariff nation. Referring to his often-cited example of the iconic Harley-Davidson motorcycles, the President said: "When we send a motorcycle to India, it's a hundred per cent tariff. They charge 100% when India sends a motorcycle to us, we brilliantly charge them nothing. So, I want a reciprocal tax or at least, I want to charge a tax. It's called the mirror tax, but it's reciprocal." Trump added that the U.S. could not allow a country to charge it 100% while it got nothing for the exact same product.

Hindustan Times *News 18* *Economic Times*

Work on China property tax law 'steadily advancing'

Senior parliamentary officials in China say the drafting of a property tax law - which has been under consideration for more than a decade - is "steadily advancing." "At present,

relevant departments are perfecting the draft law and discussing "important issues" related to it, said an official.
Reuters *China Daily*

Philippine tax reform hits foreign investment
Foreign direct investment in the Philippines has fallen for the first time since 2015, down 4.4% on the year to $9.8bn in 2018. Investors are worried that President Rodrigo Duterte's proposed tax reform could hurt the investment environment.
Nikkei Asian Review

GLOBAL

Tax can be a barrier for female workers
The International Labour Organisation's *Quantum Leap for Gender Equality* report suggests tax can be a barrier to work for women across the world, stating: "When married couples are taxed jointly on their earned incomes, it may be that the lower income earner within the couple - usually the woman - is taxed at a higher rate than in an individual system." It adds that this "marriage tax or penalty", combined with the high cost of childcare, is a disincentive for women to participate in the labour market.
The Daily Telegraph *International Labour Organization*

An overhaul of the international tax system can wait no longer
Writing in the *FT*, IMF managing director Christine Lagarde says the growth of digital business means a rethink on international taxation is necessary, with the current system "fundamentally out of date."
Financial Times

The world needs to change the way it taxes companies
The *FT*'s Martin Wolf proposes a shift to destination-based cash flow taxation for corporates as the origin-based system "is creating huge problems." He calls for radical reform instead of endless "tinkering."
Financial Times

Email: info@earlymorningmedia.co.uk
Registered in England No: 06719248
Registered Address; Global House, 1 Ashley Avenue, Epsom, KT18 5AD
Phone: 0207 186 1060