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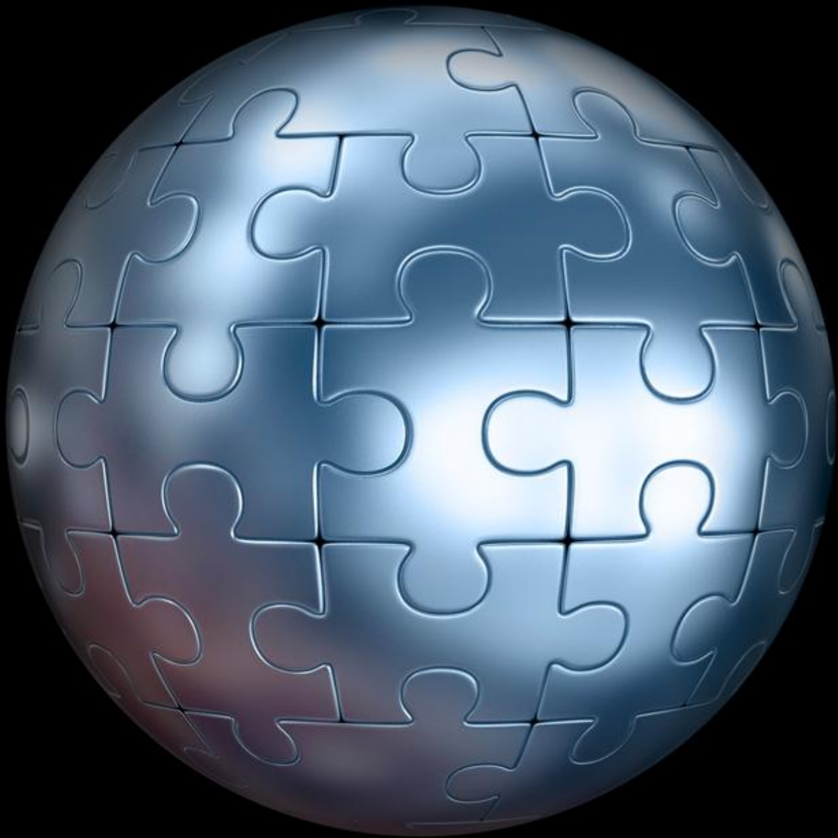


Tax Impacts of Doing Business in the U.S.
Developments and Prospects for Reform

28 June 2017

Deloitte Academy 2017

Agenda

28 June 2017
13:30 – 15:30

Topic	Content
Welcome and Introductions	
Current U.S. Tax Legislation	• Current challenges • Inbound considerations • Outbound considerations
Section 385 Regulations	• Debt recast rules • Documentation requirements • Application of §385 for state tax
Tax Reform Proposals	• Update on Trump Administration, Republican, and Camp tax reform proposals • Border Adjustability
Closing Remarks	
Reception	

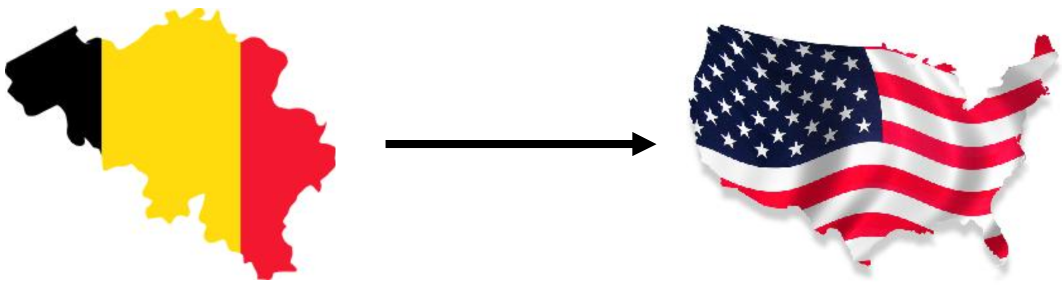
Welcome and Introductions

Current U.S. Tax Legislation

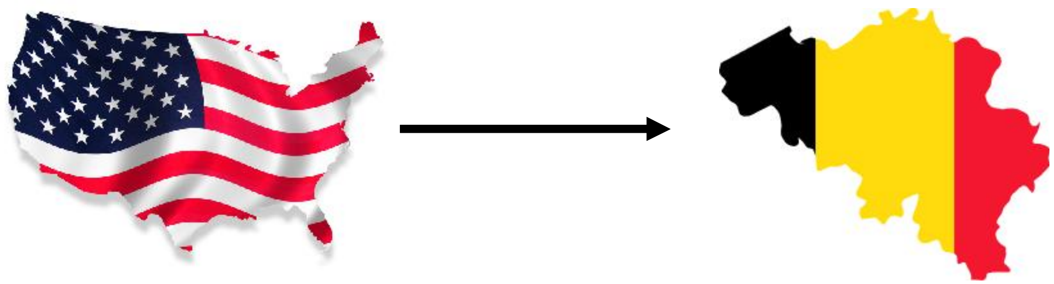
U.S. Tax Regime Overview

Two types of transactions have U.S. Tax Implications:

- Inbound – foreign person investing or doing business in the U.S.



- Outbound – U.S. investment abroad



Background on Tax Reform

High Corporate Tax Rate	• Up to 35% federal plus • State tax rate up to 12%
U.S. Persons - Worldwide Taxation	• Foreign profits not taxed until repatriated unless 'bad' CFC income • Trillions of USD trapped as offshore un-repatriated income
Foreign Persons – U.S. Source Income	• Net basis taxation for U.S. trade or business or permanent establishment income • Withholding on gross basis for FDAP income (dividends, interest, royalties, etc.)
Company Migration	• US companies leaving the US in search of lower permanent tax rates • IRS counters with updated 'inversion' rules
Unique U.S. Tax System	• Out of step with virtually the whole world • No VAT • Generally generous deductions
Highly Politicized Environment	• Public debate regarding inversions • EU state aid rules • New U.S. administration

U.S. Inbound and Outbound Taxation

Selected Key Issues

- U.S. trade or business and permanent establishment (PE)
- Effectively connected income (ECI)
- 30% withholding on FDAP income (dividends, interest, royalties, etc.)
- U.S. treaty Limitation on benefits (LoB) tests for reduced rates of withholding tax
- Foreign Investment in Real Property tax Act “FIRPTA” – gain is taxable on sale of real estate and shares of real estate holding companies with 15% withholding on the sales price
- Complex Debt-Equity rules and other interest deduction limitations
- Complex compliance (both federal and state)
- State taxes

U.S. Inbound and Outbound Taxation

Selected Key Issues (continued)

- Inversion rules – taxation as a U.S. corporation
- Deferral and Repatriation of offshore untaxed earnings
- Worldwide taxation system for US persons vs. Territorial system for inbound investments
- FATCA compliance

Debt–Equity Recharacterization
Common Law Factors

Common Law Factors

- Names and labels given to debt instrument
- Presence of fixed maturity date
- Source of payments
- Right to enforce payments
- Participation in management as a result of advances
- Status of debt compared to regular corporate creditors
- Intent of the parties
- Identity of interest between creditor and stockholder
- “Thinness” of capital compared to debt
- Ability to obtain loans from outside sources
- Use of funds
- Failure to repay
- Risk involved in making advances

Earnings Stripping and Other Limitations on Interest Expense

Related Party Interest of US Companies to Foreign parents	Basic Earnings Stripping Rules for Related Party Interest
• Deductible when paid • Subject to limitations including a statutory earnings stripping rule (§163(j)) • Subject to 30% withholding – can be reduced by treaty if the Limitation of Benefits (LoB) tests are satisfied	• Net Interest Expense deductible annually • No limitation if a 1.5-to-1 debt/equity safe harbor is satisfied • Basic limitation of up to 50% of adjusted taxable income (EBITDA + unused excess limitation from 3 prior years) • Interest subject to limitation is carried forward indefinitely

Section 385 Regulations

Debt-Equity Treatment and Documentation Requirements

Background

The Final and Temporary Regulations

October 13, 2016 - Treasury and the IRS issued final and temporary regulations under section 385 (the "385 Regulations").

Two aspects require action to determine that debt financing into the US will be respected for US federal income tax purposes:

Target Intercompany Leveraging Transactions

Stock treatment for certain debt instruments issued by a domestic corporation to a related party as part of, or in connection with, certain distributions and acquisitive transactions that do not introduce new capital into the related-party group (the "Debt Recast Rules").

Require Documentation

Contemporaneous documentation requirements on certain related party debt instruments issued by a domestic corporation to treat such instruments as debt; otherwise, such instruments are treated as stock, subject to a rebuttable presumption (the "Documentation Rules").

Background
Scope of 385 Regulations

Applied only for Large Groups

- Consolidated group stock is publicly traded or
- Total group assets exceed $100M or
- Total group revenues exceed $50M

Covered Members of Expanded Group

- Only domestic corporations – 80% of voting rights or value of stock owned by common parent
- No foreign corporations, CFCs or U.S. branches of foreign corporations
- Special rules for partnerships

Background

Scope of 385 Regulations

Exclusions

- Industry carve outs: rules do not apply for debt issued by excepted regulated financial companies (RFC) or regulated insurance companies (RIC)

- Not applicable to S Corporations

- Not applicable where REITs or RICs are the common parent of an expanded group

- Threshold limitations

Background

Key Factors for Documentation Rules

Key Factors Documentation Rules

- Obligation to pay sum certain
- Creditor's rights
- Ability to repay/credit worthiness
- Actions evidencing debtor-creditor relationship

Background

Applicable Dates

In general	Effective date: The 385 regulations generally apply to taxable years ending on or after January 19, 2017
Documentation Rules	Delayed applicability: The documentation rules apply to debt instruments issued or deemed issued on or after January 1, 2018
Debt Recast Rules	Expanded “90-day” transition period: In general, for a debt instrument issued after April 4, 2016, but on or before January 19, 2017, that the debt recast rules would (without regard to applicability dates) recast as stock, the debt will not be recast until January 20, 2017 (if then held by an expanded group member) Post-April 4, 2016 events: The debt recast rules apply to debt instruments issued after April 4, 2016, and to “prohibited” transactions under the “Funding Rule” (each, described below) occurring after that date
Grandfathered Debt	Not subject to the 385 Regulations but deemed exchanges under Treas. Reg. § 1.1001-3 can result in “newly issued” debt subject to the rules

Background

Certain consequences of treatment as stock

385 Regulations

- The 385 regulations treat debt as stock for all tax purposes (other than for being a member of an affiliated group, if recast under the debt recast rules)

In General

- Interest paid treated as distribution on stock. No interest deduction.
- Repayments of principal treated as a redemption – could be dividend equivalent.
- For foreign holders, withholding rates on dividends vs. interest.
- For holders in general, DRD limitations or subpart F inclusion, and potential for income recognition without offsetting deduction within the group.

Background

Certain consequences of treatment as stock

Deemed Exchanges

- Section 988 gain or loss on the deemed exchange of debt for stock, i.e. if debt initially, other than for certain accrued and unpaid stated interest

Collateral Effects

- Debt recast as stock can change nature of debt issued in a “prohibited” transaction and the tax treatment of the transaction (e.g., “turn off” section 304 for stock sales).
- Debt recast as stock also can result in unanticipated consequences: (i) loss of control or failure to meet certain stock ownership requirements, and effect on tax-deferred transactions (e.g., section 351 exchanges), (ii) section 305(c) (deemed accrual of dividends); (iii) section 1503(f) (described below), etc.

Section 385 Regulations

Debt Recast Rules

Transactions Targeted

General Rule and Funding Rule

General Rule

- Domestic corporation distributes a debt instrument
- Domestic corporation issues debt as consideration to acquire expanded group stock
- Domestic corporation issues debt to an expanded group member as boot in certain asset reorganizations

Funding rule

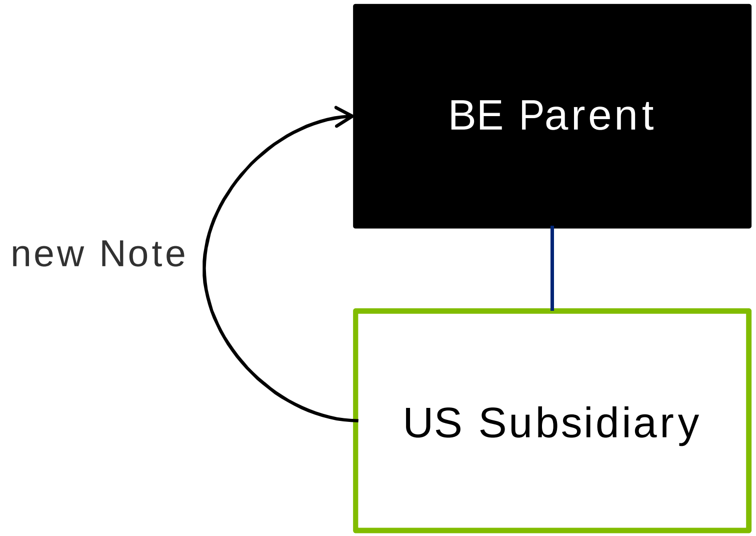
- If debt was issued 36 months before/after transaction or with a principal purpose of funding one of these transactions:
- Domestic corporation distributes property
- Domestic corporation acquires expanded group stock for property
- Domestic corporation acquires property of group member in asset reorganization

Transactions Targeted

In a US Inbound Context, Cashless Introductions of Debt to the US are Specifically Targeted

1. Distributions of Debt

Debt introduced by declaring a dividend and issuing a note in satisfaction will not be treated as debt for US federal income tax purposes.

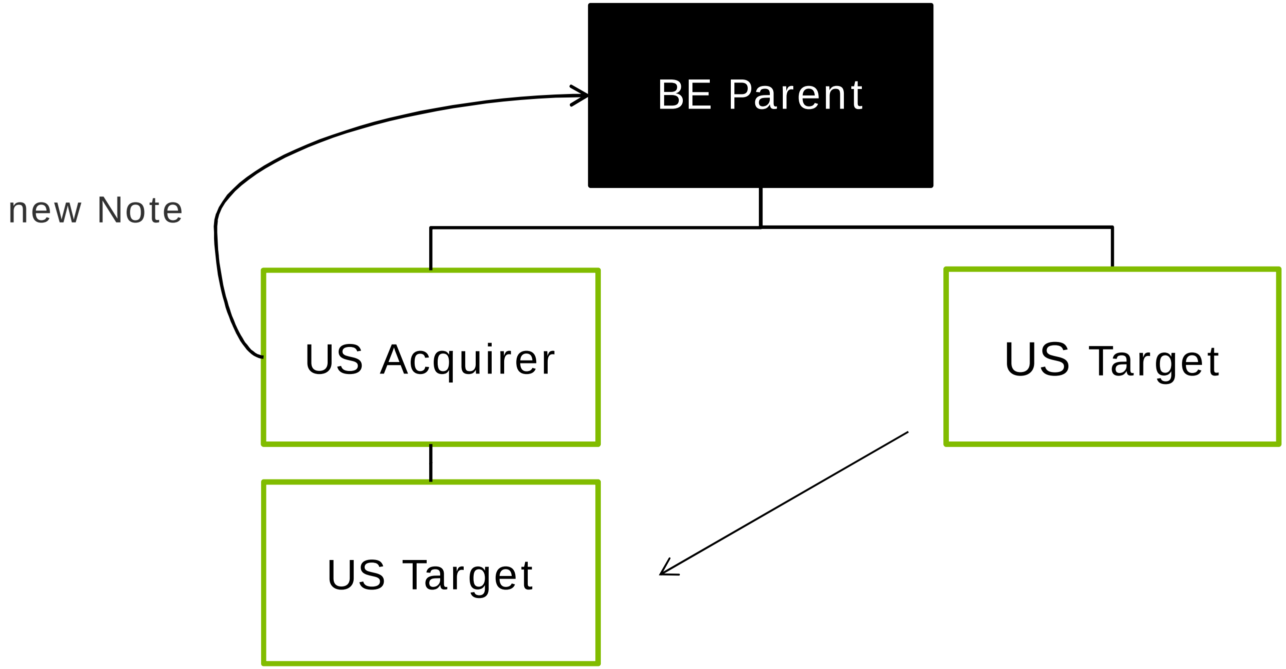


Transactions Targeted

In a US Inbound Context, Cashless Introductions of Debt to the US are Specifically Targeted

2. Acquisition of Related Entity

Issuing debt to acquire a related entity will not be treated as debt for US federal income tax purposes.

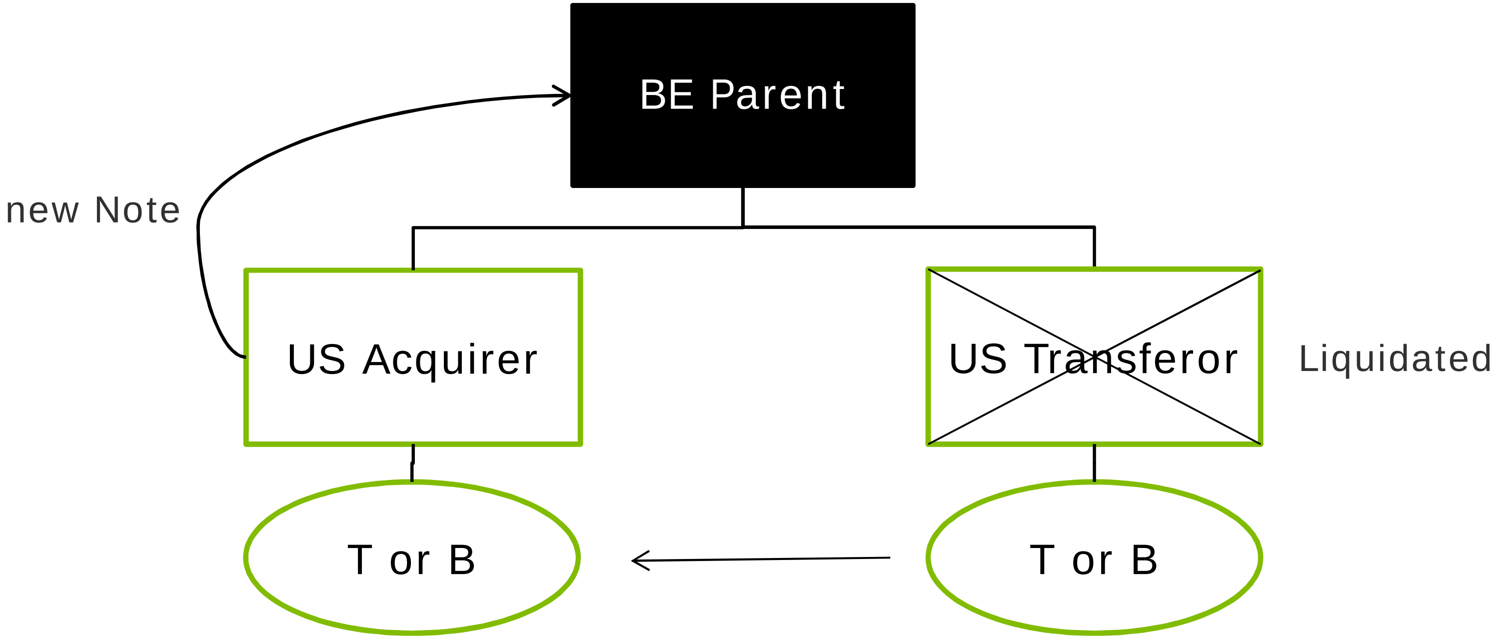


Transactions Targeted

In a US Inbound Context, Cashless Introductions of Debt to the US are Specifically Targeted

3. Acquisition of Related Party Assets

Issuing debt to acquire a trade or business in a tax-free transaction will not be treated as debt for US Federal income tax purposes.

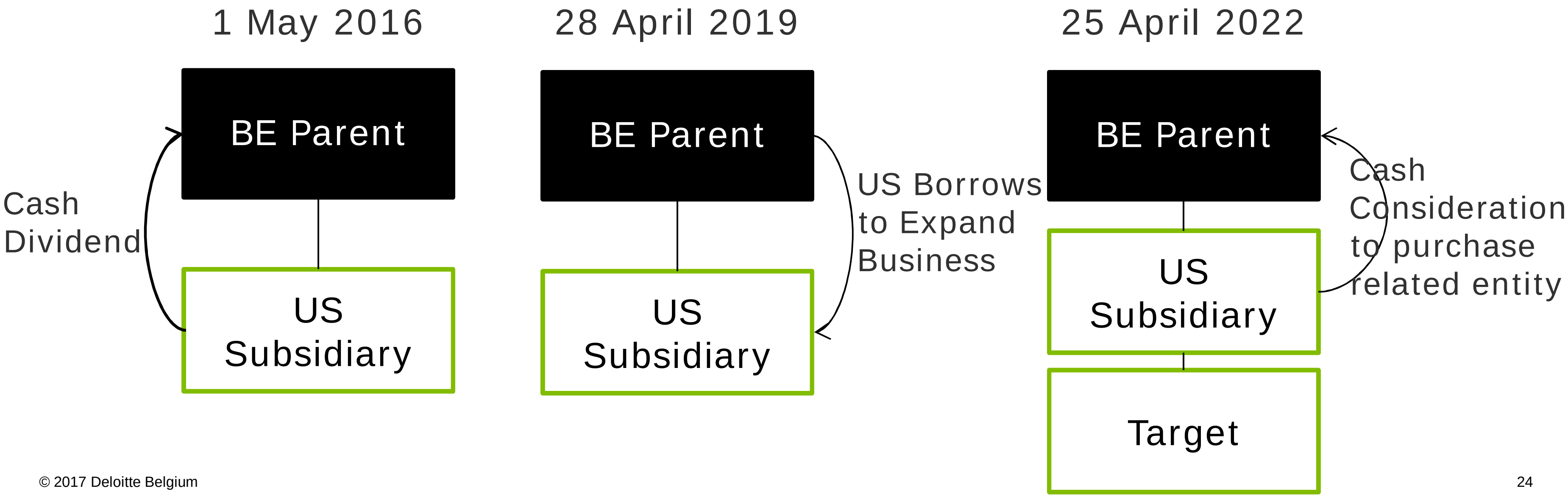


Transactions Targeted

In a US Inbound Context, Cashless Introductions of Debt to the US are Specifically Targeted

4. Funding Rule

If any of the 3 previous transactions occur with 36 months of a borrowing, the borrowing will be tainted by that transaction. (Note this only applies to debt issued and affected by a tainted transaction occurring after 4 April 2016.)



The 385 Regulations
Scope of the Debt Recast Rule – Exceptions

Short term exceptions for treasury functions

- The following arrangements are exempt from the recast rule:
  - Short term borrowings that meet a current assets test
  - Instruments with a term of 270-days or less
  - Ordinary course loans issued as a consideration for the acquisition of property other than money.
  - Interest-free loans
  - Qualified Cash Pooling arrangements

Capital Contribution Exemption

- The amount of debt subject to reclassification into equity can be reduced by certain capital contributions made in the three year period up to the issuance of a debt instrument

The 385 Regulations

Scope of the Debt Recast Rule – Exceptions

E&P Exception

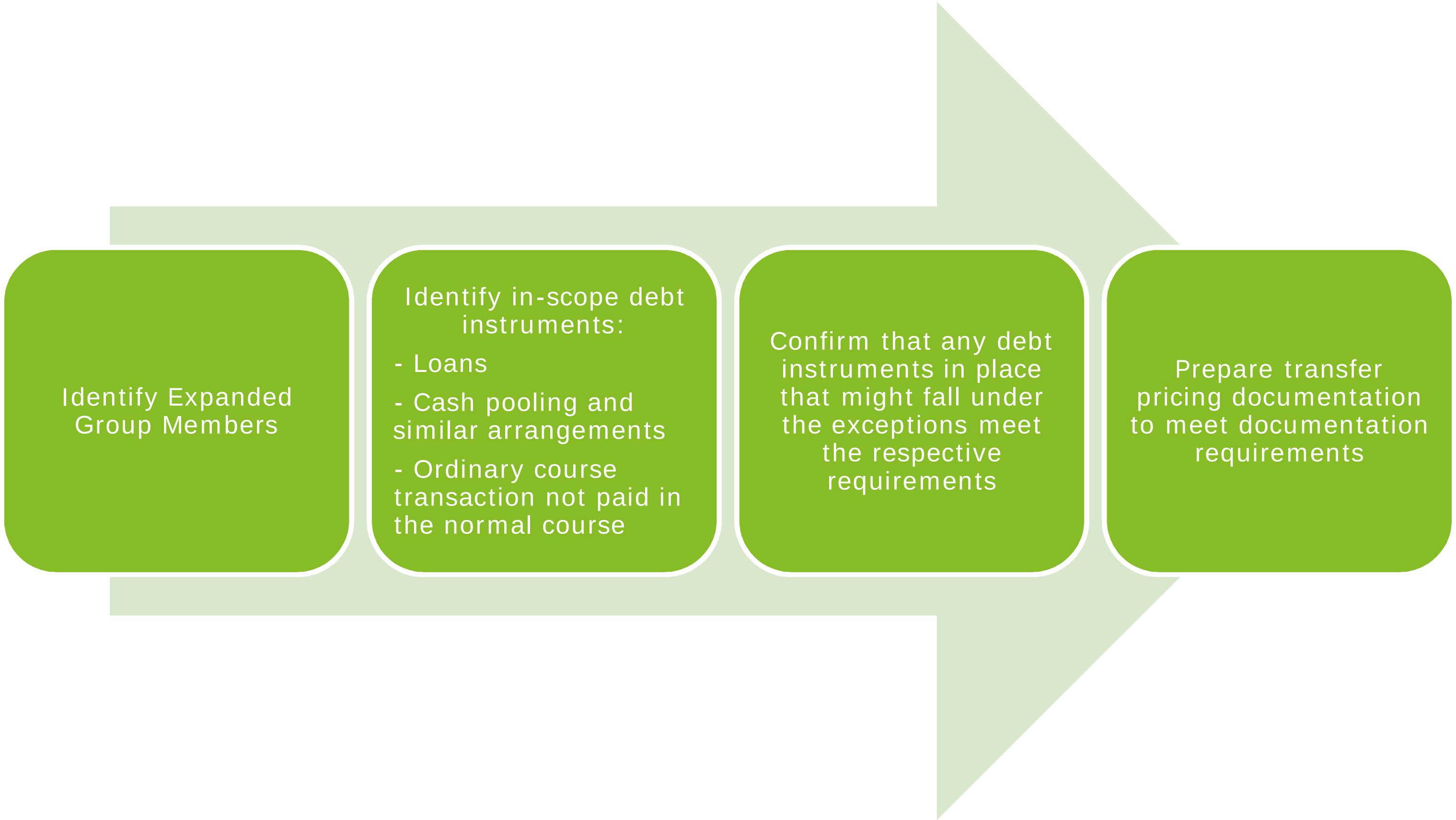
- Similar to capital contributions, the amount of debt subject to reclassification can be further reduced by the aggregate undistributed current or accumulated E&P from years ending after April 5, 2016

50M Threshold Exception

- The regulations provide an exemption from equity treatment for $50m of aggregate adjusted (for E&P) issue price of debt instruments otherwise subject to Debt Reclassification Provisions.

The 385 Regulations

How to get ready?



The 385 Regulations
Identify in-scope debt instruments

Short-term debt arrangement	• Identify short-term debt instruments including ordinary course loans, interest-free loans and deposits with a qualified cash pool header • Assess application of the “specified current assets test” v. the “270-day test” for short-term funding arrangements. • Review aging of trade AP/AR for purposes of the “ordinary course” requirement (generally 120 days) and establish processes for timely settlement • Review cash pooling master agreements for compliance with the requirements of the Regulations
Long term Structural Debt	• Identify long-term structural debt. Review prior actions to identify potential application of Treas.Reg.§1.1001-3 and identify grandfathered debt
Regulated Financial Entities	• Identify the following instruments excluded from the definition of covered debt instrument: (i) qualified dealer debt instruments; (ii) excluded statutory or regulatory debt instruments; (iii) debt instruments issued by a regulated financial company or regulated insurance company

The 385 Regulations

Confirm financing arrangements qualify for exceptions (1/2)

Short-term debt arrangement

- Monitor compliance with the “specified current assets test” v. the “270-day test” for short-term funding arrangements.
- Monitor aging of trade AP/AR for purposes of the “ordinary course” requirement (generally 120 days) and establish processes for timely settlement.
- Develop procedures to perform timely analysis of a member’s “ability to pay” annually for “ordinary course” and “cash pooling” requirements
- Gather all operative documents for cash pooling and ordinary course transactions
- Develop a sustainable approach to document reasonable expectation of repayment, actual payments, and debtor-creditor behaviour upon non-payment
- Develop a process to archive documentation requirements of the Regulations

The 385 Regulations

Confirm financing arrangements qualify for exceptions (2/2)

Long term
Structural Debt

- Utilize terms of grandfathered debt
- Conduct annual E&P studies to determine the amount of E&P available for disallowed transactions.
- Develop a sustainable approach to tracking E&P and qualified contributions on an annual basis
- Monitor for transactions that may have utilized E&P or qualified contributions
- Review and track current loan documentation for compliance with the “four indebtedness factors”

Section 385 Regulations Documentation Requirements

The 385 Regulations

Documentation Requirements

Documentation Rules

- Retain core requirements: (i) obligation to pay sum certain; (ii) creditor's rights; (iii) ability to repay/creditworthiness; and (iv) actions evidencing a creditor-debtor relationship. If fail, generally treat as stock.

- Extended period for preparation: Documentation prepared by due date of issuer's U.S. federal income tax return (including extensions) by reference to certain relevant dates. In general, a relevant date is based on becoming an EGI (or an action for (iv), above)

The 385 Regulations
Documentation Requirements

Documentation Rules

- Annual credit analysis: An annual credit analysis can be used to support the issuer’s ability to repay multiple EGIs, provided no “material event”
- Cash pooling arrangements, etc.: Special rules apply to documentation for credit facilities, revolvers, omnibus, master, cash pooling, and similar arrangements
- Rebuttable presumption to stock treatment: Applies if the group demonstrates a high degree of compliance with the documentation rules

Section 385 Regulations

State Tax Implications

State Tax Implications

State Tax Conformity

Proposed 385 Regulations

- Would have provided that "all members of a consolidated group (as defined in Treas. Reg. § 1.1502-1(h)) are treated as one corporation" for purposes of applying the Documentation and Debt Recast Rules.

385 Regulations

- The Documentation Rules exclude intercompany obligations (as defined in Treas. Reg. § 1.1502-13(g)(2)(ii)) and interests otherwise between consolidated group members.
- The Consolidated Return Rules provide that, for purposes of the Debt Recast Rules: all members of a consolidated group (as defined in Treas. Reg. § 1.1502-1(h)) that file (or that are required to file) a consolidated U.S. federal income tax return are treated as one corporation (the One Corporation Rule).
- The Preamble indicates the change in language was adopted in response to a commenter's concern and a proposed solution regarding a specific state tax issue.

State Tax Implications

State Tax Conformity

Potential Separate Tax Treatment

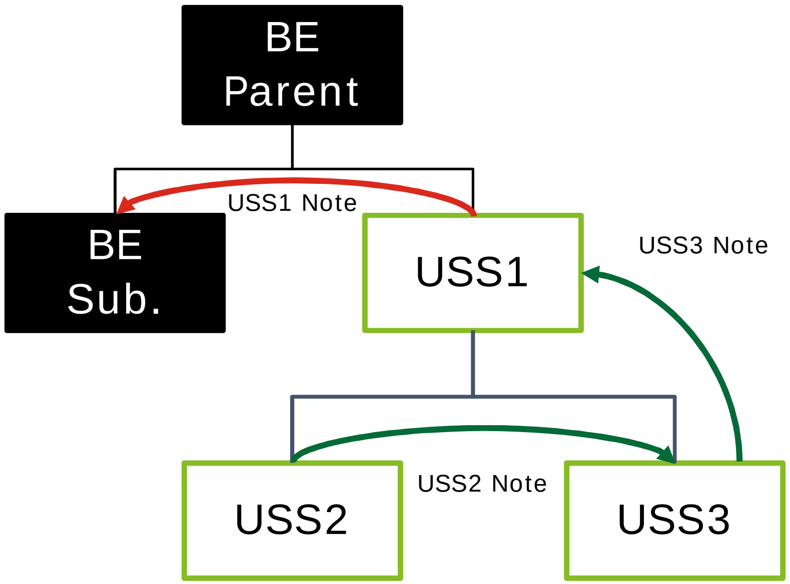
- States that do not fully conform to the consolidated return rules require income to be calculated without regard to the consolidated return regulations (Treas.Reg.§1.1502-1 et seq.)
- Some states statutorily require taxable income to be computed “as if” the entity filed separately for U.S. federal income tax purposes, potentially rendering irrelevant the consolidated group rule (for documentation rule) and the one corporation rule (tied to filing a consolidated return for debt recast rules)

State Approach

- States have taken a “wait and see” approach to address final regulations, but many states are aware of the 385 regulations
- States that have historically recast intercompany debt potentially have a new tool – other states may increase activity in this area as a result of section 385

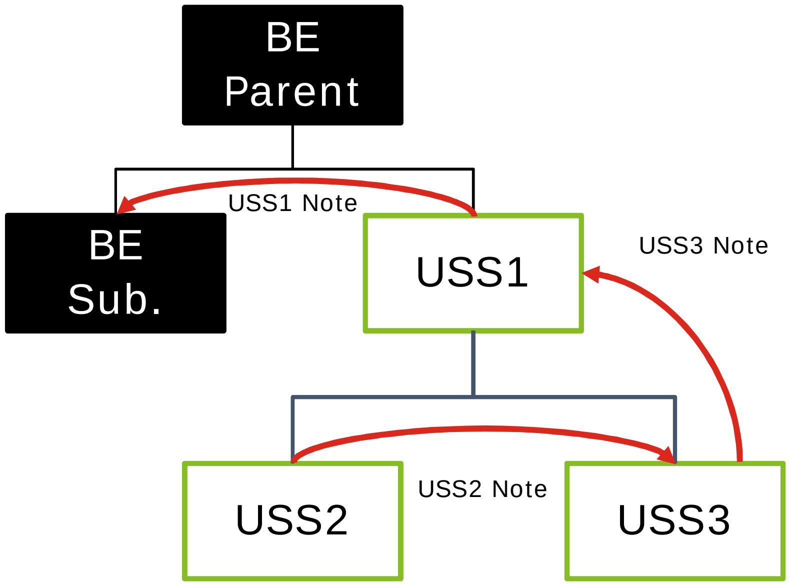
State Example of 385 Regulations

Federal Example



USS1 Note treated as stock
USS2 and USS3 Notes not recast

Non-Confirming State Example



USS1 Note treated as stock
USS2 and USS3 Notes also treated as stock

State Tax Implications

Application of 385 regulations for state tax-only purposes

Documentation rule	The debt recast rules	Recharacterized debt	Planning considerations
• States may require documentation for debt instruments exempt for federal tax purposes • If fail, debt may be recast as stock for state but not federal purposes • The documentation rules apply broadly (e.g., (i) to informal balances documented as debt, (ii) cash pooling and similar arrangements, (iii) I/C payables, etc.) • Few exceptions (e.g., no exclusion for short-term or interest-free loans) • Delayed effective date – debt issued or deemed issued on or after January 1, 2018	• Significant complexity in tracking domestic entities, CDIs (and exceptions), prohibited transactions (and exclusions and reductions), qualification as qualified short-term debt instrument, etc. • Intercompany transactions (under Treas. Reg. § 1.1502-13) may be subject to general rule and funding rule • Each reduction to prohibited transactions – earnings and qualified contributions – taken into account at entity level (and not a group level)	• Recast debt may be treated as stock for all tax purposes • Payments of interest and principal treated as equity distributions (e.g., need to separately track E&P and basis for state tax purposes, may not obtain a full or partial DRD) • Consider collateral effects • Add Back Exceptions: May not apply to recast debt for federal purposes due to application of 385 Regulations; no safe harbors under 385 regulations comparable to state add-back provisions • Net Worth Tax" States may argue that recast debt treated similarly for net worth tax purposes	• The 385 regulations may impose limits on pushing interest deductions down to operating company levels (similar to inbound financing) • Planning considerations may exist and should be taken into account before entering into any new issuances

Trump Administration Review

President Executive Order from April 2017

- President Trump has called for tax law simplification and asked for a review of all significant 2016 regulations
- Administration is concerned that the cost and burden of the 385 Regulations might exceed benefits
- Potential impacts on debt recast, inversions and earnings stripping rules
- House Ways and Means committee members have been split on repeals due to risk of base erosion and tax evasion
- 10,000+ comments on the IRS site from individuals, companies, tax professionals
- Businesses generally prefer repealing or simplification of regulations in order to reduce tax and documentation burden

Policy Update

Trump Administration, House Republicans and Camp Tax Proposals

Federal Tax Reform Overview

Evaluation of Proposed Tax Rates and Ongoing Proposals

Proposed Rate Considerations

35% Current Tax Rate

25% Camp II Proposal

20% House GOP Proposal

15% Trump Administration Proposal

Considerations that may lower tax base

- Repeal Corporate AMT
- Full Expensing of Capital Investments
- Retain R&D Credit
- Retain LIFO

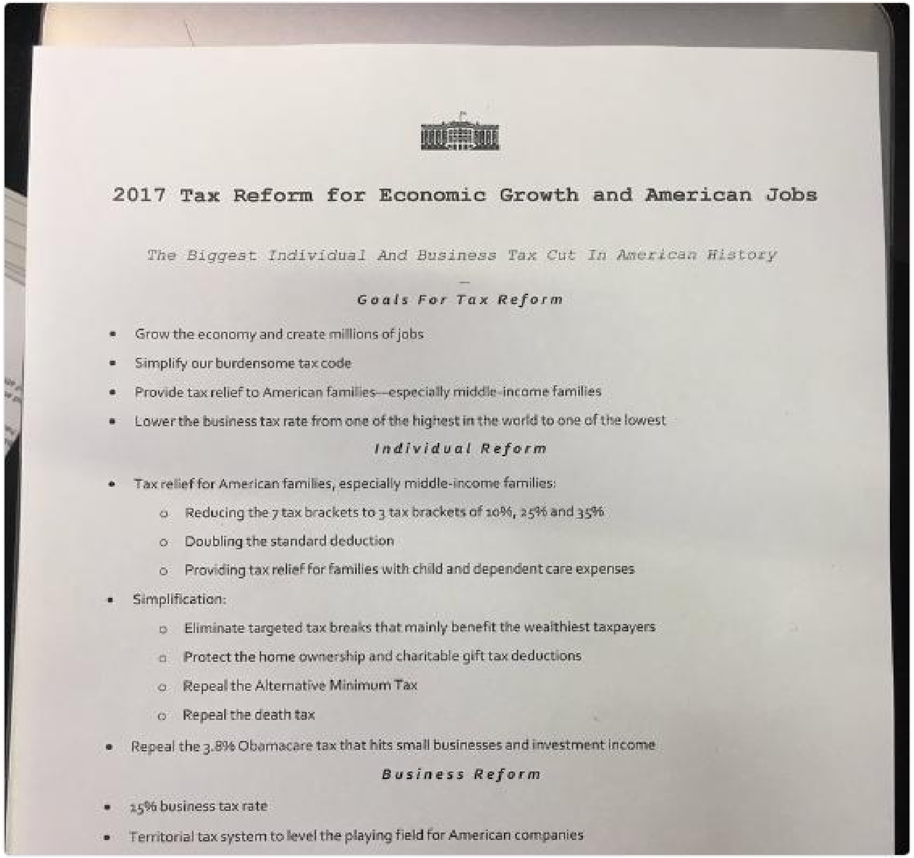
Considerations that may increase tax base

- Interest Expense Limitation
- Repeal Most Business Tax Expenditures (Trump Administration)
- Repeal IRC §199

Federal Tax Reform Overview

President Trump Administration Proposal, April 2017

President Trump's tax reform plan- just handed out by the wh .. on a single page



2017 Tax Reform for Economic Growth and American Jobs

The Biggest Individual And Business Tax Cut In American History

Goals For Tax Reform

- Grow the economy and create millions of jobs
- Simplify our burdensome tax code
- Provide tax relief to American families—especially middle-income families
- Lower the business tax rate from one of the highest in the world to one of the lowest

Individual Reform

- Tax relief for American families, especially middle-income families:
  - Reducing the 7 tax brackets to 3 tax brackets of 10%, 25% and 35%
  - Doubling the standard deduction
  - Providing tax relief for families with child and dependent care expenses
- Simplification:
  - Eliminate targeted tax breaks that mainly benefit the wealthiest taxpayers
  - Protect the home ownership and charitable gift tax deductions
  - Repeal the Alternative Minimum Tax
  - Repeal the death tax
- Repeal the 3.8% Obamacare tax that hits small businesses and investment income

Business Reform

- 15% business tax rate
- Territorial tax system to level the playing field for American companies

Retweets 178 Likes 153

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Domestic Tax Reform Proposals

	Current Law	Trump Administration Proposal	House GOP Blueprint	Camp II
Top Corporate Rate	35%	15%	20%	25%
Top Individual Rate	39.6% (plus additional 0.9% Medicare tax for high-income earners)	35%	33%	35%
Research Credit	20% credit for qualifying research expenses in excess of a base amount, or a 14% alternative simplified credit	Retain research credit, but repeal most other business tax expenditures	Retain credit; Ways and Means Committee will "evaluate options" to make it "more effective and efficient"	Research credit (alternative simplified credit) would be permanent
IRC §199 Deduction and Other Business Deductions	Up to 9% deduction under IRC §199 for certain income attributable to domestic production activities	Repeal most business tax expenditures except for the research credit	Repeal IRC §199	Repeal of IRC §199 phased out over two years (6% in year one, 3% in year two); repeal of percentage depletion

Domestic Tax Reform Proposals
(continued)

	Current Law	Trump Administration Proposal	House GOP Blueprint	Camp II
Capital Cost Recovery	Modified Accelerated Cost Recovery System (MACRS)	Firms engaged in US manufacturing may elect to deduct the full cost of their capital investments in year one; option revocable within first 36 months	Full expensing in year one of all assets, tangible and intangible, other than land	Depreciation would be computed using straight-line method with longer recovery periods (similar to ADS)
Net Operating Loss (NOL)	Available for 2-year carryback and 20-year carryforward	No Change Specified	C/F indefinitely, annual future deduction limited to 90% of net taxable income. No NOL C/B.	NOL only be permitted to offset 90% of taxable income in the C/B or C/F year
Interest Expense	Generally deductible	Businesses that elect full expensing in year one will lose their ability to deduct net interest expense	Interest expense deductible against interest income. No current deduction for net interest expense; net interest expense C/F indefinitely	Modifies IRC §163(j) with new thin cap rules; limit for adjusted taxable income reduced from 50% to 40%

International Tax Reform – Scope of U.S. Taxation

	Current Law	Trump Administration Proposal	House GOP Blueprint	Camp II
US Co's US Sales/Service Income	Taxable	Taxable	Taxable	Taxable
US Co's Foreign Sales/ Services Income	Taxable	Exempt?	Exempt	Generally 60% Taxable
Payment to non-US Taxpayer for Cost of Goods Sold (COGS)	Deductible	Deductible?	NOT Deductible	Deductible
Dividends Received	Taxable	Exempt?	Exempt – 100% DRD	95% DRD for 10% owned subsidiaries

International Tax Reform – Scope of U.S. Taxation (continued)

	Current Law	Trump Administration Proposal	House GOP Blueprint	Camp II
Foreign Sub's Foreign Base Company Sales / Services	Taxable	Exempt?	Exempt	Taxable at 50% of general tax rate
Foreign Sub's Foreign Personal Holding Company Income	Taxable	Exempt?	Taxable	Taxable
Foreign Sub's Other Foreign Income	Deferral	Exempt?	Exempt	Generally 60% taxable (to extent exceeds 10% of basis in tangible assets)
Foreign Sub's Foreign Base Company Sales / Services	Taxable	Exempt?	Exempt	Taxable at 50% of general tax rate

Prospects for Tax Reform – Are the stars finally aligned?

Why it should happen:	Challenging factors:
Similar architecture between Trump and House Republican plan	Republican Senators have different conceptual plan than Trump/House Republicans
Republicans' and Trump's desire to show ability to govern effectively	Last reform in 1986 had bipartisan support under Reagan. Democrats intend to oppose everything, so united Republicans will be necessary
Republican majorities in House and Senate (albeit particularly slim in Senate)	Trump's current unfavourable ratings and uncertain how much Republicans will work with him where policy objectives diverge
Outside forces (inversions, EU state aid, BEPS) mandating change	Campaign exceptionally policy light so mandate is arguably weak
Fed Monetary not enough to promote growth by itself, so tax incentives needed	10 year deficit rule could mean full legislation required for major reform rather than reconciliation process (60-40 relevant here)
Huge pressure by American business for change	Democrats lost Congress advantage after 2 years (ACA)

Modeling of U.S. Tax Reform Scenarios

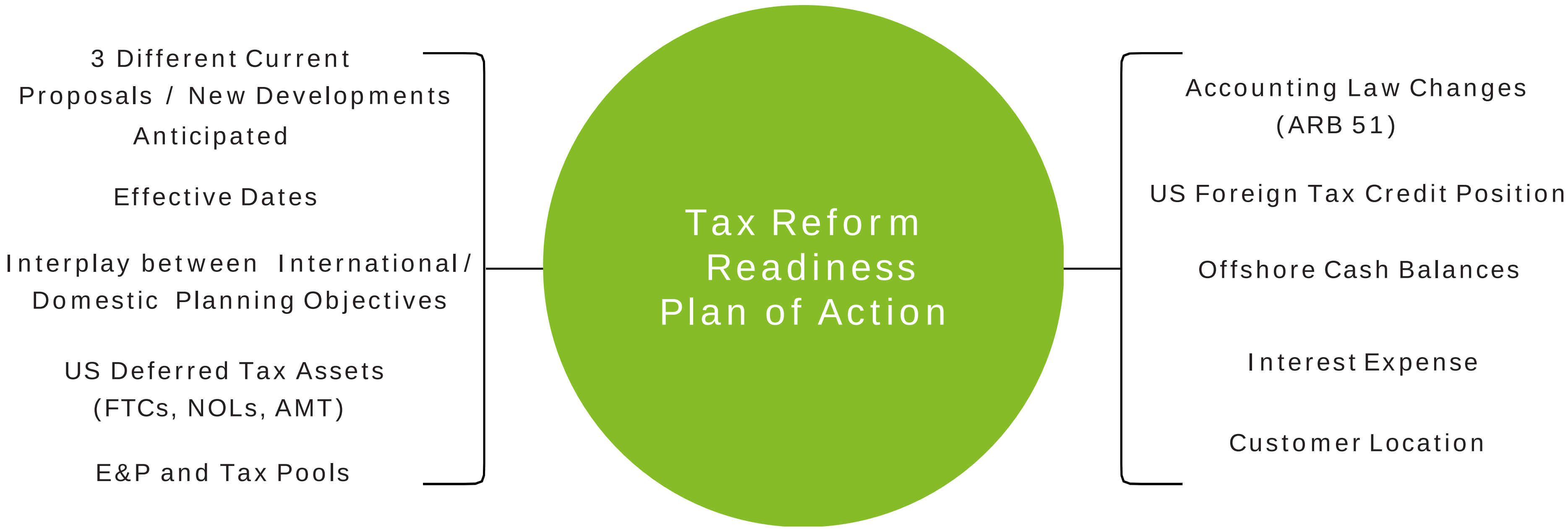
- The need to accurately model and assess the impact of proposed tax reform proposals on your business will affect your ability to:
  - Establish a point of view on tax reform
  - Update C-Suite on potential considerations
  - Align domestic and international tax planning posture
  - Prioritize planning that can be implemented shortly after the enactment of tax reform (i.e., mid-term strategies), including:
    - Identifying Stakeholders
    - Preparing Workplans
    - Making Treasury Decisions

- Review ASC 740 impacts of various tax proposals and planning impacts

- As tax reform proposals will undoubtedly evolve throughout this calendar year, it will be important to have an agile approach to modeling the tax effects of new proposals on your business operations

- Deloitte is undertaking to build a dynamic tax reform technology solution that will give our tax professionals the ability to help companies weigh proposals against one another, scenario plan, and create customized alternatives in order to analyze the effects of reform proposals on your business. See Appendix for screenshots of the proposed web-based Tax Reform Navigator

Modeling of U.S. Tax Reform Scenarios
(continued)

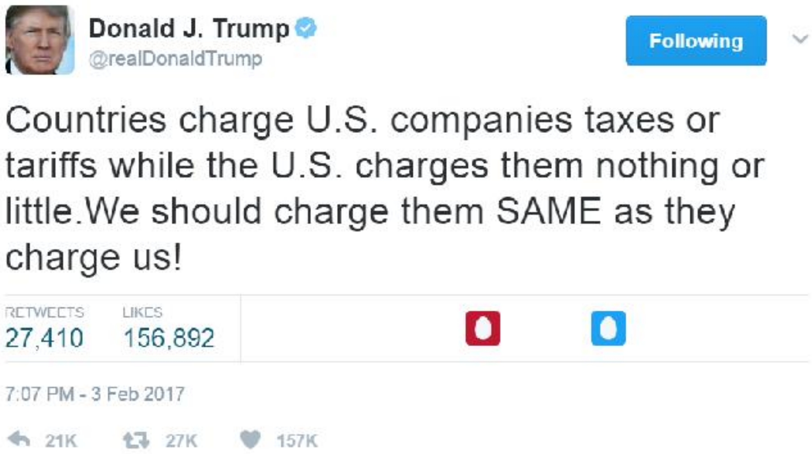


Various Modeling Inputs

Policy Update

Border Adjustability

House Republican Blueprint – Border adjustments tax



- President Trump has called for tariffs on non-US produced goods, specifically from Mexico. Members of the house ways and means committee have publicly said they don’t want tariffs and are going forward with border-adjustability.
    - A president does have unilateral authority to levy tariffs.
- The blueprint notes that a border-adjustable tax would allow the US to “counter the border adjustments that our trading partners apply in their VATs”.
- On Feb 3, Kevin Brady expressed confidence that border-adjustable tax would fit within WTO guidelines. On Jan 24th he said border-adjustability is "economically equivalent and trade equivalent" to a VAT, but it should not be labelled one.

House GOP Blueprint

Cash-Flow Tax Approach

- The House GOP Blueprint provides border adjustments using a destination based cash-flow approach. In particular, the Blueprint provides the following:
  - “The cash-flow based approach that will replace [the] current income-based approach for taxing both corporate and non-corporate businesses will be applied on a destination basis.”
  - “[P]roducts, services and intangibles that are exported outside the United States will not be subject to U.S. tax regardless of where they are produced.”
  - “[P]roducts, services and intangibles that are imported into the United States will be subject to U.S. tax regardless of where they are produced.”
- According to the Blueprint, a border-adjusted tax will broaden the tax base by increasing the tax cost of imports. This is expected to raise revenues and help reduce the United States trade deficit.

House GOP Blueprint
Cash-Flow Tax Approach (continued)

- The House GOP Blueprint's border adjusted cash-flow tax approach has elements similar to that of a consumption-based tax.
- "Border adjustments" are a feature of a destination based value-added tax ("VAT") whereby "the tax is rebated when a product is exported to a foreign country and is imposed when a product is imported from a foreign country."
- The GOP destination-based cash flow tax may generally operate as follows:
  - Revenue from exported sales or services would not be taxable.
  - The cost of imports would potentially not be deductible. For example, a business importing $1m materials from a foreign supplier would not be able to deduct the cost of those materials against its corporate tax base.
- The House GOP Blueprint proposes that its cash-flow based approach is consistent with WTO rules regarding indirect taxes.

Closing Remarks

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Andro Petrosovitch is leading the U.S. corporate international tax group of Deloitte Brussels. His experience includes over 18 years of extensive practice in U.S. international tax and tax accounting. Andro has provided tax and tax accounting advice to U.S. and non-U.S. multinationals. Prior to joining Deloitte, Andro was the international tax director of E&J Gallo Winery, one of the largest U.S. private companies with operations in over 30 countries.

Andro has managed projects involving various aspects of U.S. tax consulting/compliance and tax accounting for companies throughout Europe and the U.S. He has consulted clients on international corporate reorganizations, M&A, CFC and subpart F issues, foreign currency transactions, transfer pricing, FTC planning and compliance, PE issues, International and U.S. inbound financing transactions.

Andro has provided extensive tax accounting advice and U.S. tax provision calculation services, managed projects involving preparation of U.S. tax provision/UTP reports for multinational clients dealing with various aspect of ASC 740 accounting.

Marek Krawczyk | Director

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Marek Krawczyk is a Director in the US Business Tax group based in London. He is a qualified CPA in the United States. He has experience in US international taxation covering a wide range of industries spanning corporate multinational entities and private equity.

Marek has 13 years of experience focusing on the tax issues facing multinational corporations investing into the US via subsidiaries and branches both through expansion and acquisition. His clients span publicly traded, privately held, and private equity backed entities. Marek has also been involved in some of the largest cross-border mergers and acquisitions involving US and UK companies in the past several years in the capacity of advising either the acquirers or targets. He also works with private equity funds seeking to maximize returns for US partners invested through their funds.

Jonathan Goldblatt| Partner

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Jon is a Partner in the New York international tax practice of Deloitte Tax LLP specializing in the international tax aspects of inbound investments.

Jon has over 19 years of experience as a tax practitioner and assists many non-U.S. based businesses in structuring their investments into the United States, including acquisition strategies, due diligence, tax efficient financing structures, IP planning and post acquisition restructuring. He serves large multinational companies in numerous industry sectors such as chemicals, consumer & industrial products, and technology & media.

Prior to joining Deloitte Tax LLP in 2002, Jon was previously in the international tax practice of another global accounting firm.

Jon graduated from the State University of New York at Albany (BS-Accounting) and received his juris doctor from the Georgetown University Law Center. Jon is also a Certified Public Accountant in New York.