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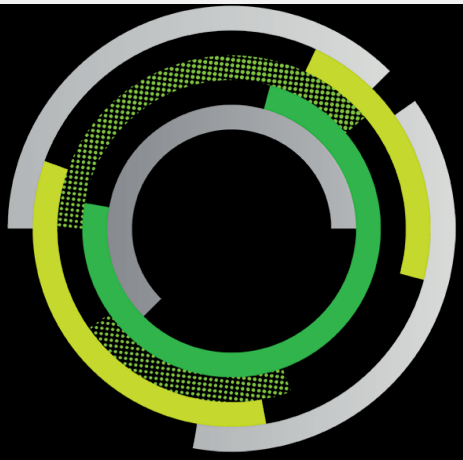
Belgium | Deloitte Tax | 01 April 2021



Tax alert

U.S. Tax

White House Proposes U.S. Tax Changes

Summary of corporate tax proposals for businesses

The White House has recently shared details regarding President Joe Biden's $2 trillion plan designed to revitalize investment in a number of infrastructure projects ('American Jobs Plan').

In order to fund infrastructure and investment, the President is proposing numerous changes to the tax law that could greatly impact corporate taxpayers ('Made in America' tax plan). This tax alert provides a high-level overview of some of the proposed changes that will be debated in the coming months.

Increasing Corporate Tax Rate

As anticipated, the Biden proposal is highlighted by an increase to the corporate tax rate from 21% to 28%.

Global Intangible Low-Taxed Income ('GILTI') Tax

The proposal would also increase the GILTI tax levied against U.S. corporations with controlled foreign corporations.

- Under the plan, the minimum GILTI rate applied to corporate earnings would be increased to 21% (instead of the current 10.5% effective rate on non-US earnings).
- Additionally, GILTI would apply on a country-by-country basis similarly to the latest OECD proposals on global minimum tax, marking efforts of the current U.S. administration to combat the race to the bottom on corporate tax rates around the world.
- The plan also proposes to eliminate the 10% return on certain tangible assets located abroad from the GITLI calculation (qualified business asset investment or 'QBAI').

Minimum Tax on Book Income for Large Corporations

The 'Made in America' tax plan suggests a minimum tax equal to 15% of book income for profitable large corporations (no gross receipts threshold or further details were communicated in the initial release).

Removal of the FDII Deduction

The Tax Cuts and Jobs Act of 2017 enacted a provision which allows U.S. corporate taxpayers to deduct an amount deemed to be attributable to foreign-derived intangible income ('FDII') and effectively achieve a tax rate of 13.125% on certain income. Under the Biden proposal, the FDII regime would be removed in an attempt to shift corporate focus back to serving the U.S. market.

Other Notable Provisions

The proposal contains multiple other provisions designed to fund the President's infrastructure plan – most notably listed below:

- Elimination of multiple tax breaks for fossil fuel companies;
- Expanding the current anti-inversion provisions for U.S. corporations moving to foreign jurisdictions;
- Eliminating certain expense deductions for offshore jobs and introducing expanded credits for onshoring expenses;
- Introducing new local R&D investment incentives in place of the FDII regime.
- Enhancing IRS efforts in tax enforcement including more regular audits for the largest corporations.

In essence, the proposal establishes the groundwork for further debate and potential tax changes that could impact the corporate tax regime.

How can Deloitte's US corporate tax group based in Brussels help?

Deloitte is closely monitoring the situation at both federal and state levels and will keep you informed as soon as further official guidance is released. In addition, we are happy to assist with any tax modeling your business may require.

Meanwhile, feel free to count on our support for any questions you may have.

We are here to assist you.

Contacts

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