

US budget plan to target overseas corporate tax avoidance

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The White House in its upcoming budget proposal plans to propose stricter tax rules targeting multinational companies to prevent tax avoidance and evasion, according to an administration official who requested anonymity.

Companies affected by the proposals include US companies with overseas operations and foreign companies that operate in the US. The proposed changes would target attempts by companies to utilise different countries' tax rules by engaging in transactions that are considered debt in one country and equity in another.

The changes would also designate more income as being subject to subpart F, which would prevent companies from avoiding taxation on some income, and also tighten rules for digital transactions used by some companies to reduce tax.

The administration official confirmed that the proposals are expected to be released on 4 March 2014 as part of President Obama's 2015 budget plan.

One proposal from Obama's fiscal 2014 budget that will not be carried over to his coming plan is a move to the chained consumer price index, White House spokesman Josh Earnest told reporters on 20 February.

The chained CPI produces lower inflation values than the traditional CPI by assuming that consumers buy cheaper goods in times of inflation. The fiscal 2014 budget plan proposed using the chained CPI to index tax code measures for inflation, which would have translated into lower thresholds for various income brackets, increasing tax collection on the margin. The Treasury Department projected in its green book explanation of the budget plan's revenue measures that the chained CPI proposal would have resulted in \$100 billion of additional revenue over 10 years.

Obama included chained CPI in his fiscal 2014 plan as part of "a unique budget offering to reflect the circumstances," Earnest said, explaining that Obama was attempting to work with Republicans, some of whom last year had expressed willingness to consider revenue-raising tax changes in exchange for entitlement reforms.

The fiscal 2015 budget "is really a return to regular order," Earnest said. Traditionally White House budget proposals, in both Democratic and Republican administrations, are reflective of "how the president, in an ideal world, believes that the government should be funded," he added.

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