



## US Inbound Corner

### Finance Committee approved US-Taiwan double-taxation relief agreement

The Senate Finance Committee on September 14, 2023, unanimously approved legislation that would provide relief from double taxation for workers and businesses engaged in US-Taiwan cross-border investment with Taiwan, and it appears that the ongoing jurisdictional process between the tax writing panel and the Senate Foreign Relations Committee will result in two bills moving through the Senate to create a tax treaty-like agreement.

The bill creates a new section 894A of the Internal Revenue Code (IRC), providing substantial benefits to Taiwan residents (“qualified residents of Taiwan”), similar to those that are provided in the 2016 United States Model Income Tax Convention (“US Model Tax Treaty”). The provisions fall into four primary categories:

- 01. Reduction of withholding taxes:** Interest and royalties would be subject to a 10% withholding tax rate, while dividends would be subject to a 15% withholding tax rate. Certain qualified residents of Taiwan that are taxable as corporations in Taiwan may be eligible for a lower 10% rate with respect to dividends, provided that such dividend is paid to a recipient that owns at least 10% of the shares of stock in the corporation that were held during a 12-month holding period.
- 02. Application of permanent establishment rules:** The bill provides that the income of a qualified resident of Taiwan that is effectively connected with a US permanent establishment (PE) is subject to tax on a net basis.

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03. **Treatment of income from employment:** Qualified wages for personal services within the United States generally are not subject to US income tax if paid by an employer to a qualified resident of Taiwan who is either not a US resident or is employed as a member of the regular component of a ship or aircraft operated in international traffic.
04. **Determination of qualified residents of Taiwan, including rules for dual residents:** The bill defines residence for both individuals and entities. For entities, a qualified resident of Taiwan must also meet the limitation on benefits requirements to be a beneficiary of the provision.

Since the legislation requires full reciprocal benefits, it does not come into full effect until Taiwan provides the same set of benefits to US persons with income subject to tax in Taiwan, similar to the reciprocal operation of a tax treaty.

The legislation has not yet been scheduled for consideration by the full Senate, as there remains a difference of opinion between the Senate Finance Committee and the Senate Foreign Relations Committee on how to best address this issue (though both seem to share the same policy goals). Thus, while it is important to be aware that this relief from double taxation may be on the horizon, its enactment is by no means guaranteed

## Property tax update

Property tax is the largest state and local tax collected in the United States, accounting for approximately 36% of state and local general revenues (US Census Bureau). Depending on the state where the property is located, property tax may be assessed on both real property and business personal property and is often a significant expense for property owners. Assessors employ various methodologies to determine market value of real and business personal properties depending on the laws of the jurisdiction, the type of property, and the status of the property as of the valuation date. Knowledge of the jurisdiction in which the property is being assessed is key to ensuring compliance with necessary requirements.

The 2023 property tax cycle is now underway, with several states' appeal deadlines still at least a few months away. Businesses with large volumes of real estate holdings and operators of properties with large property tax liabilities are generally great property tax targets. Please reach out to a member of our team to discuss your clients and allow us to identify opportunities.



## Calendars to watch

Each edition, be sure to mark your calendar for some of the more important events (recent and upcoming) as well as tax developments making an impact on businesses investing into the United States.

### Inbound Roundtables:

- Houston – October 17, 2023
- Bay Area – November 8, 2023

### Upcoming Dbriefs:

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| November 16 | Inbound Dbriefs: M&A and Transfer Pricing |
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