

U.S. Tax Seminar Updates & Developments

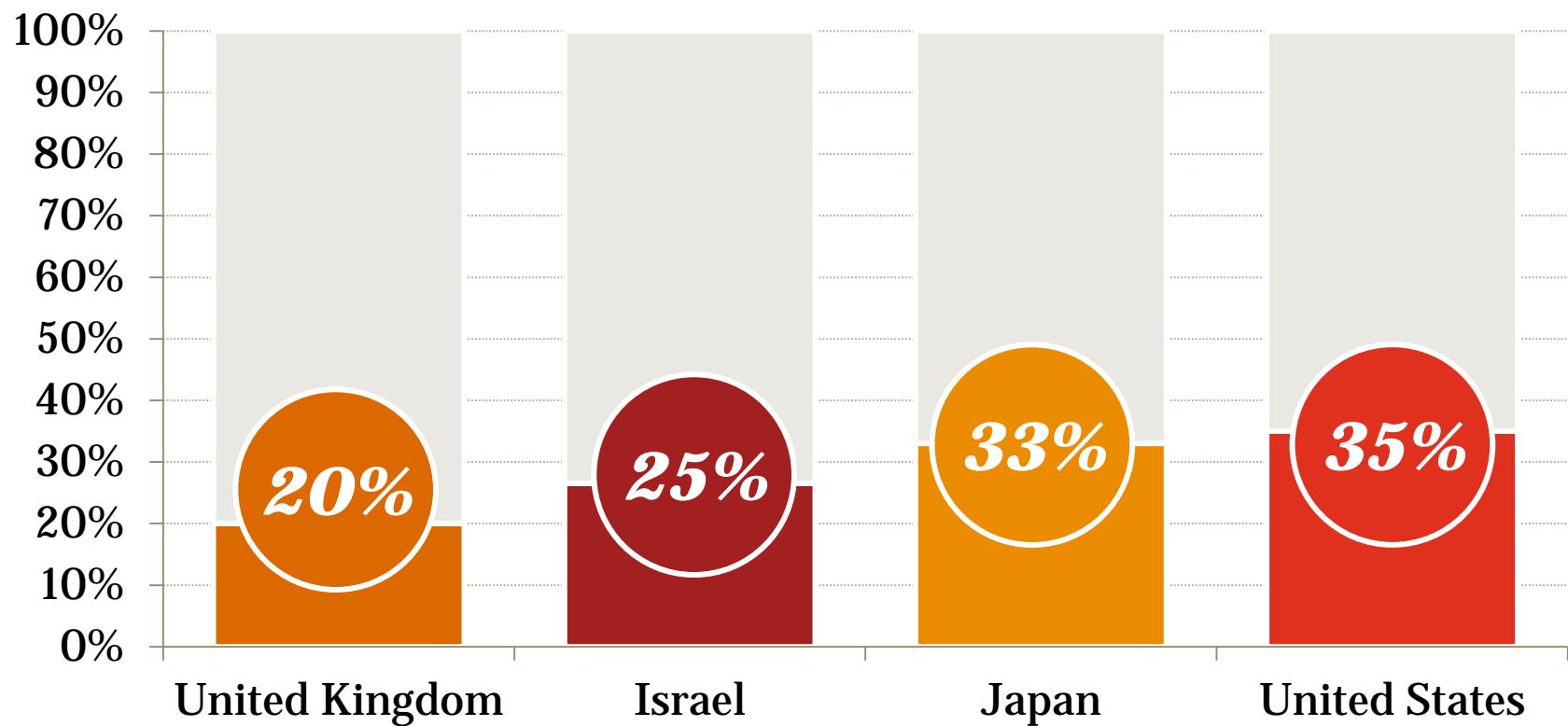
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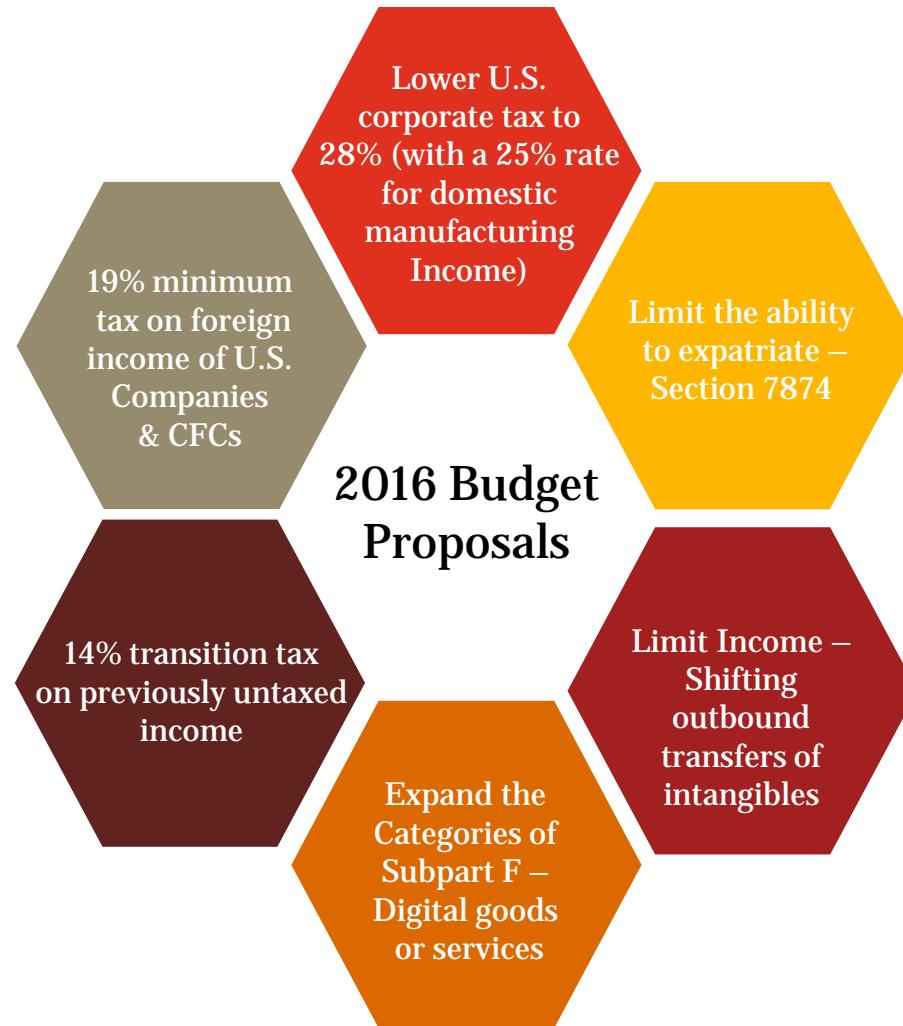
November 2015

2016 Obama Budget Proposals

Corporate Income Tax



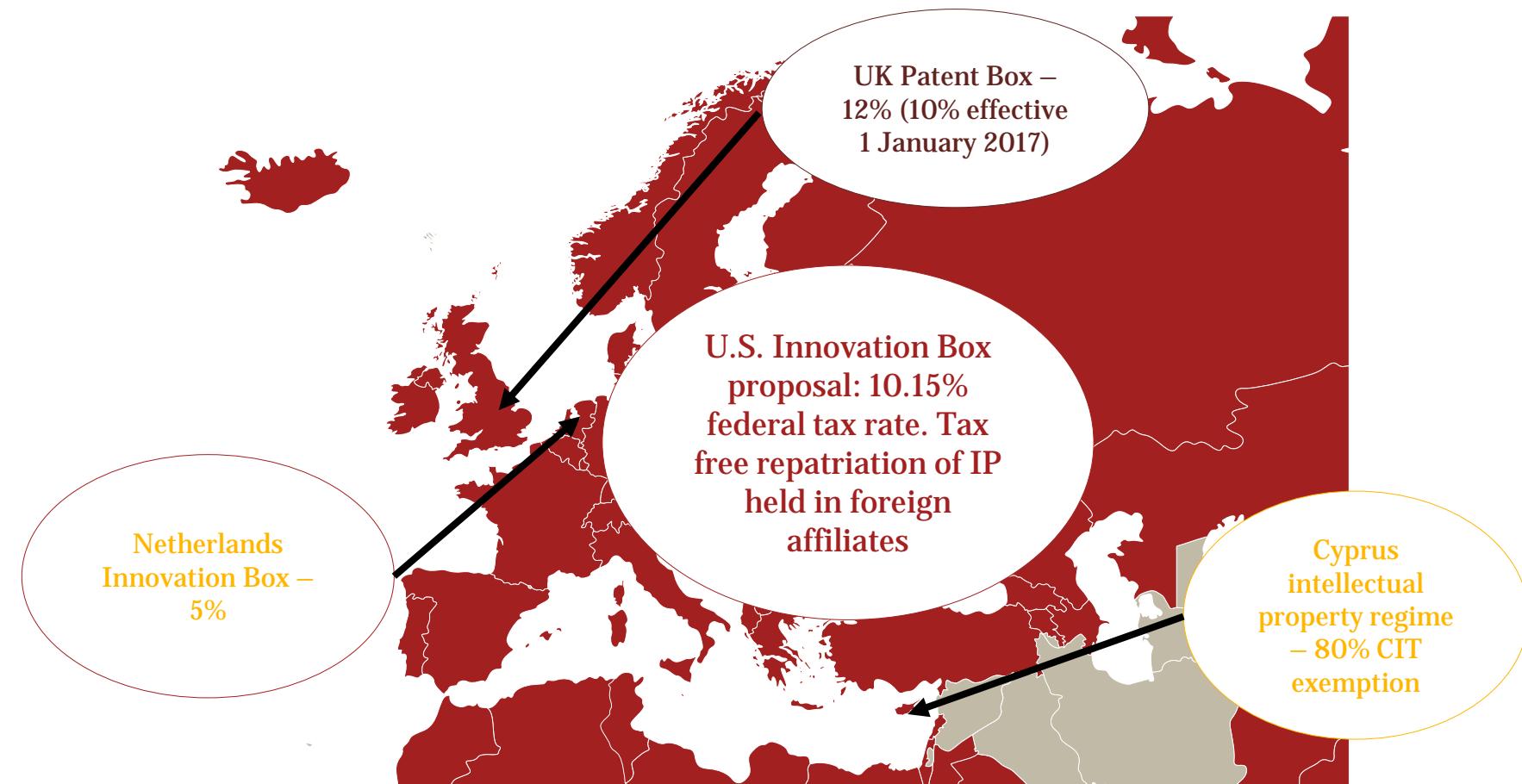
Proposed International Tax Legislation – Obama Administration



“Innovation Box” Proposal

Source: <http://www.pwc.com/gx/en/office-locations/index.jhtml>

IP Box regimes offer a substantially reduced corporate income tax rate for income derived from selected kinds of intangible assets

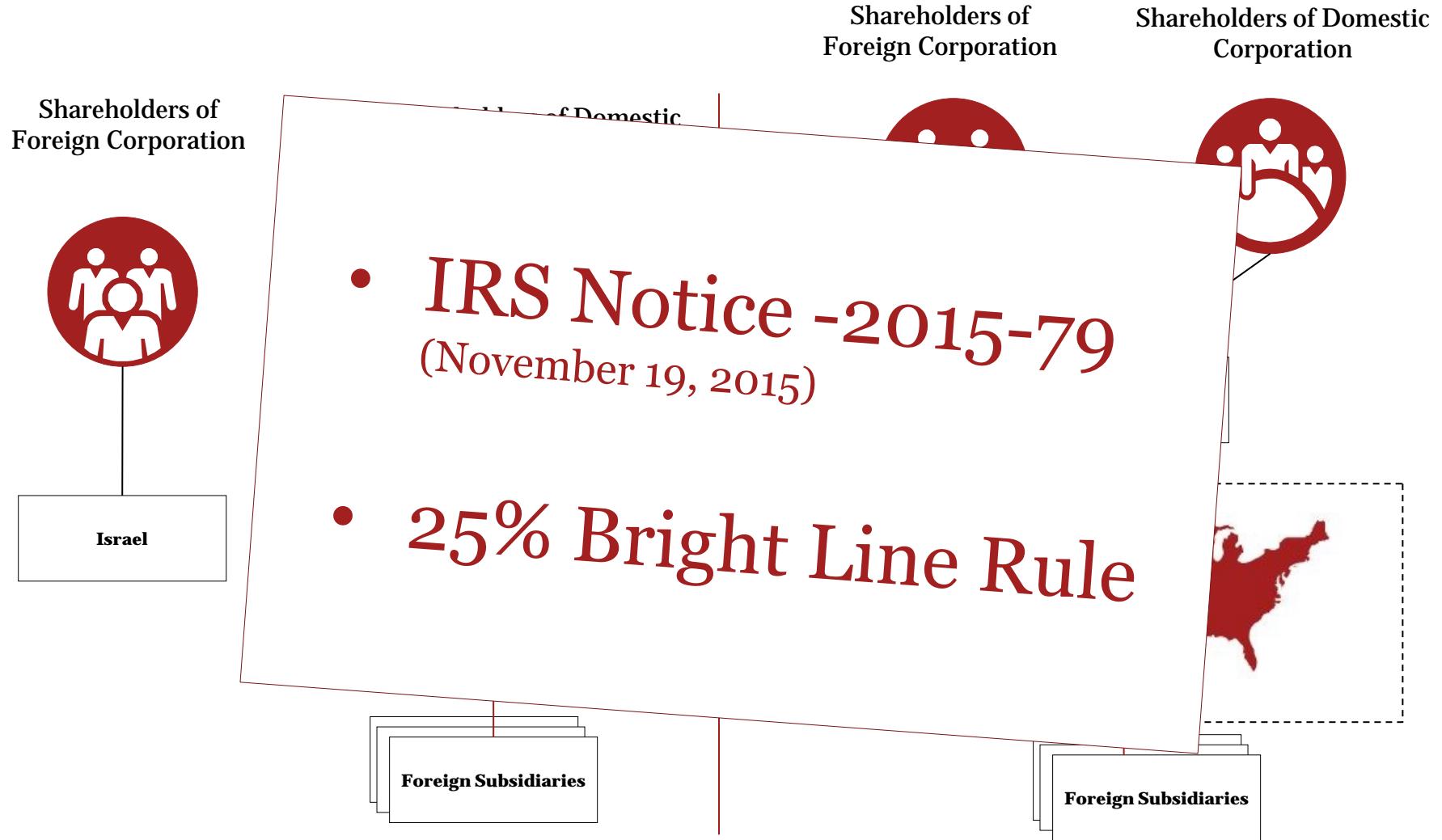


Inversion Transactions – Final Section 7874 Regulations

Inversions Transactions in the Headlines

Broadcom, Burger King, Pfizer, Medtronic, Chiquita, AbbVie, Mylan and Walgreens, among many other companies, have attracted considerable attention over their plans to (or in some cases the mere announcement that they were evaluating whether to) become non-US based.

Inversion Example



New Model Tax Treaty

US Treasury proposes changes to US Model Income Tax Convention

- Proposed revisions to the Model represent some of the most significant changes in US tax treaty policy in decades.
- Main focus – “Stateless Income”

PE

Disallowance of treaty benefits for income attributable to “exempt permanent establishments”

Special Tax Regime

Denial of treaty benefits for income subject to a special tax regime

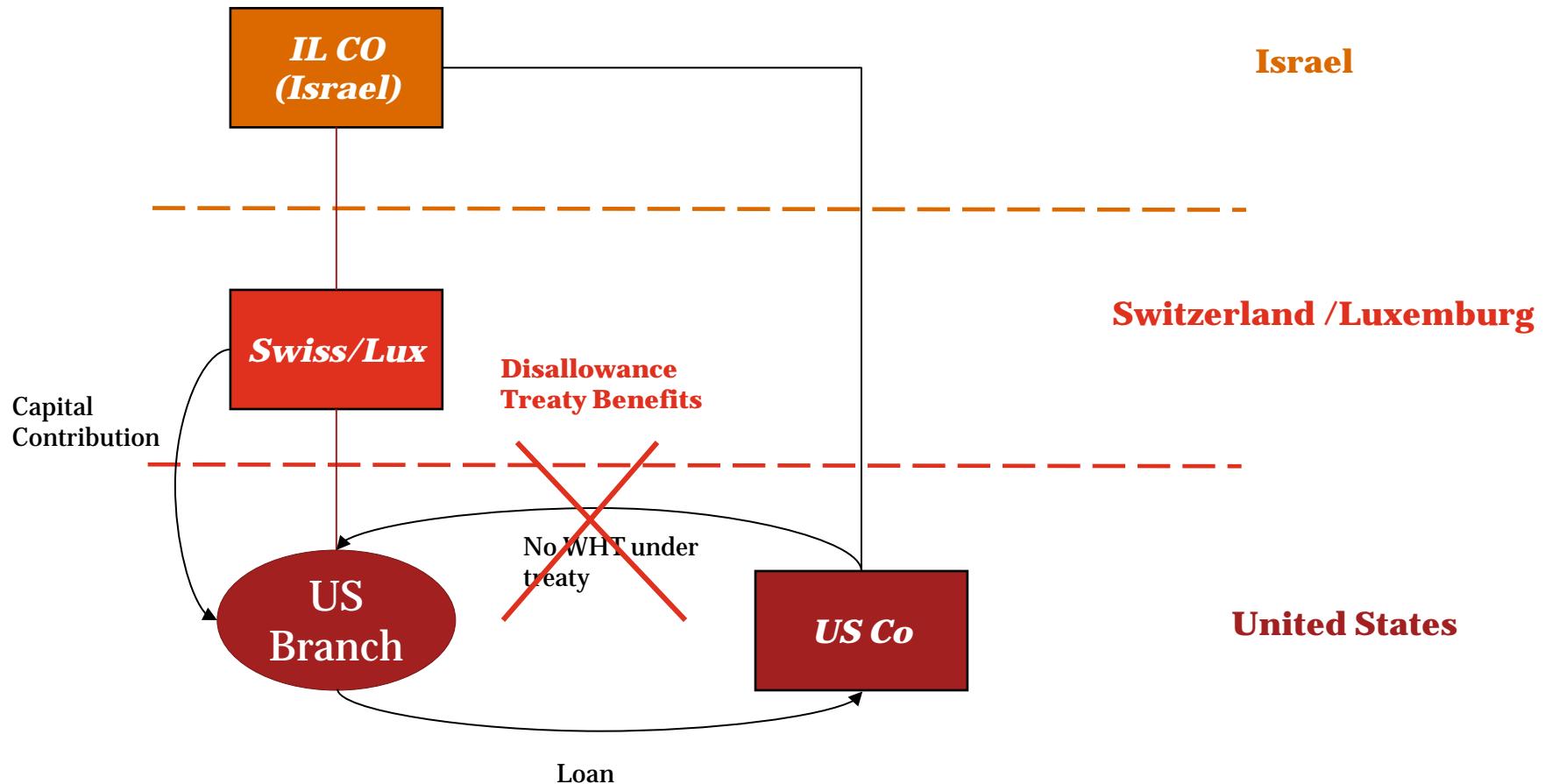
Expatriated Entities – Section 7874

Denial of treaty benefits for payments made by US companies that are expatriated entities

LOB

Further restrictions on treaty eligibility under the limitation on benefits article

Impact of the Exempt PE Disallowance on the US Branch Financing Structure

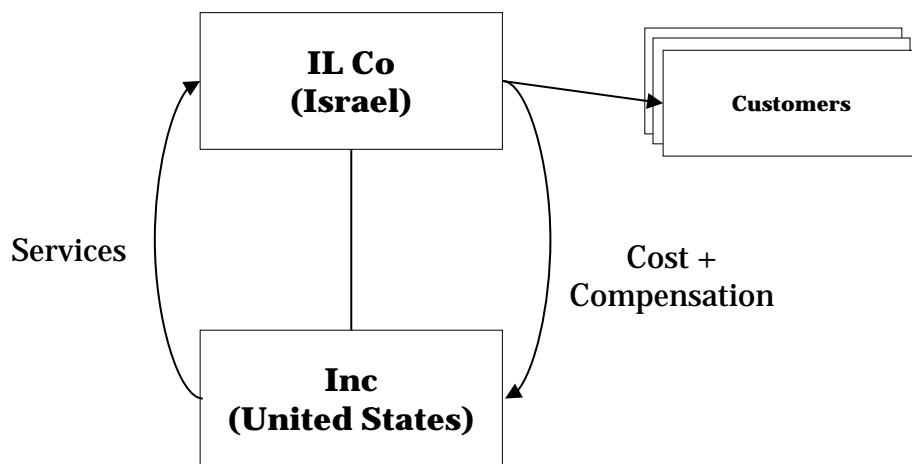


Stock/Option Base Compensation

Stock/Option Expenses – TP Considerations. (Altera Court Case)

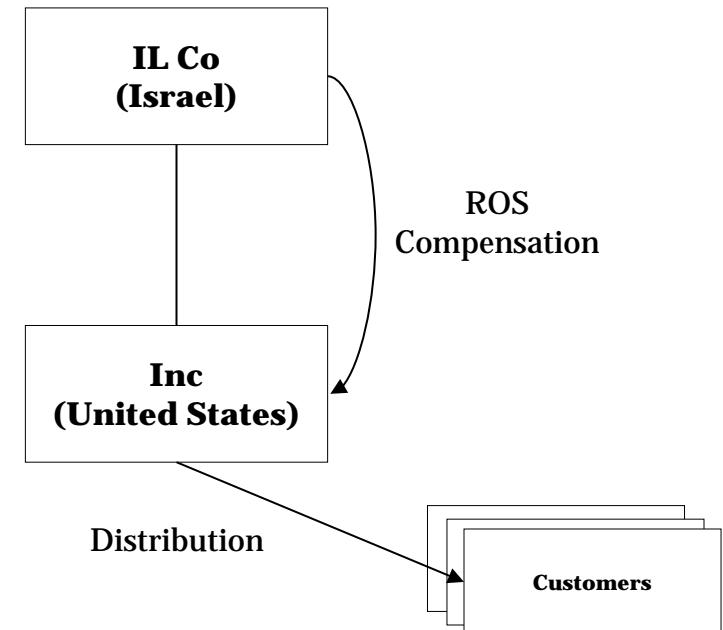
Services Model

Stock/Option expenditures
as compensation base



Distribution Model

Stock/Option expenditures
as compensation base



Stock/Option Expenses – TP Considerations.

Practical Example

Stock/Option expenditures
as compensation base

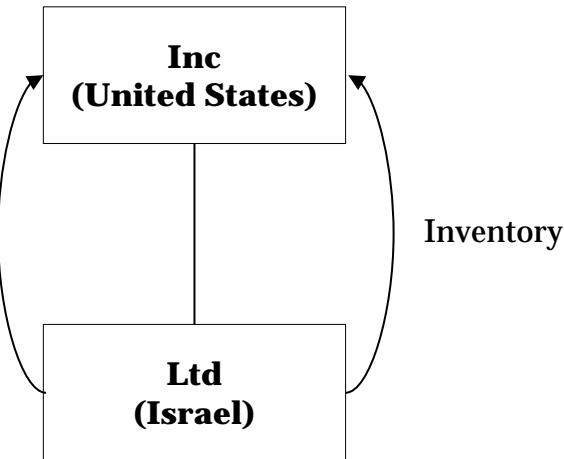
Expenses - Actual	100	
Option Expenditures	20	
Sub-Total	120	
Mark-up (10%)	12	
Total Income	132	
<u>Adjustment of Deduction for Option Expenditures</u>	20	
Taxable Income	32	40% TAX

New Regulations

Sections 956/954 Regulations

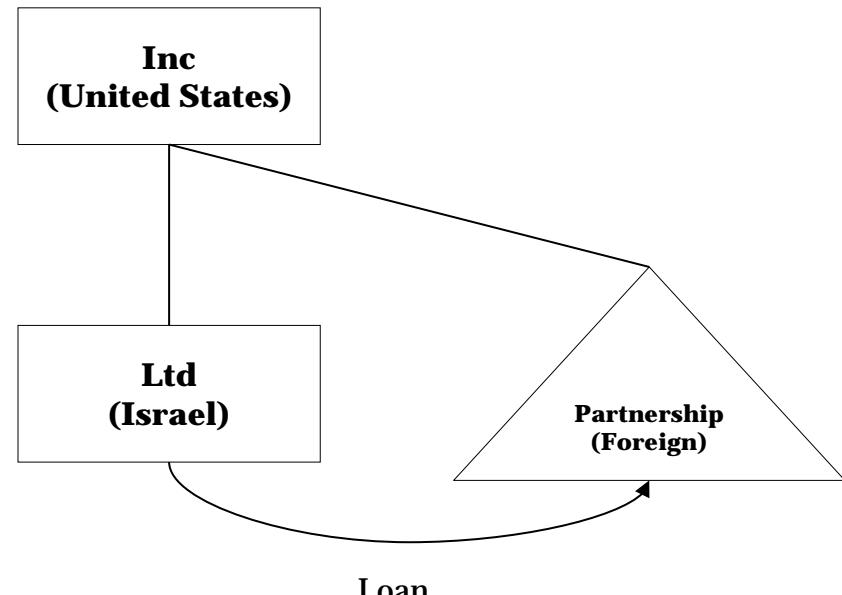
Section 956

“Investment in US Property”



New Regulations under section 956

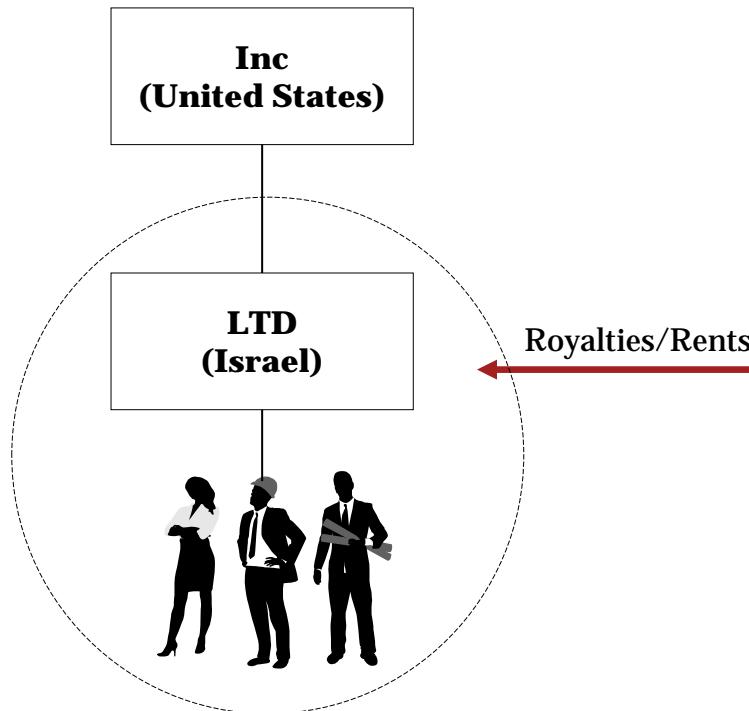
Expansion of Section 956 to Partnerships



Sections 956/954 Regulations

Section 954

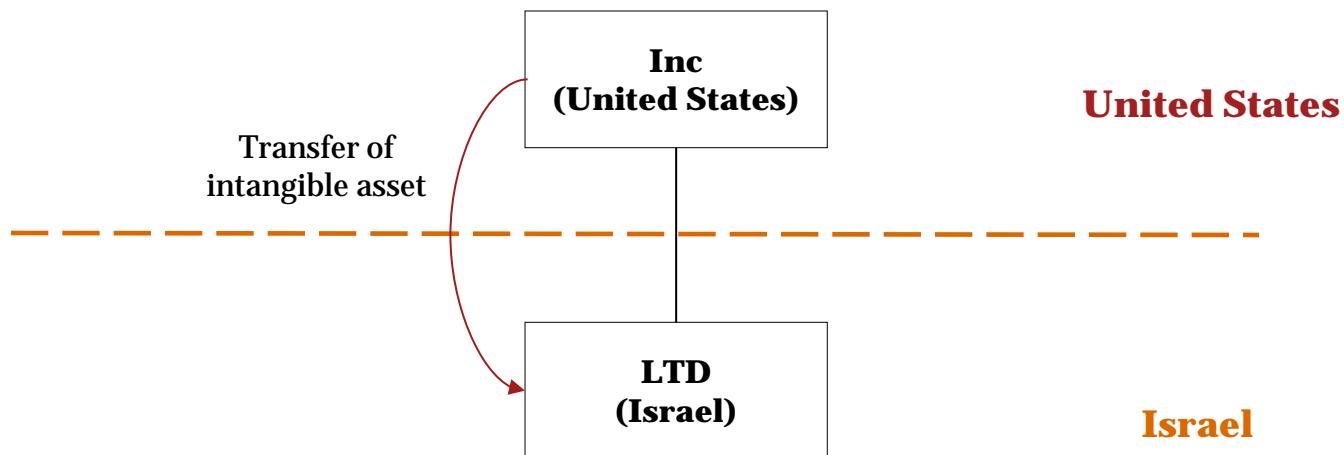
Modify the active rents and
royalties exception



Sections 367 and 482 Regulations and Notice 2015-54

Sections 367/482

Out-bound transfers of
property



Thank you!



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