

U.S. Tax Seminar Updates & Developments

Avram Metzger, Tax Partner, PwC U.S.

Yair Zorea, Tax Partner, PwC Israel

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Agenda



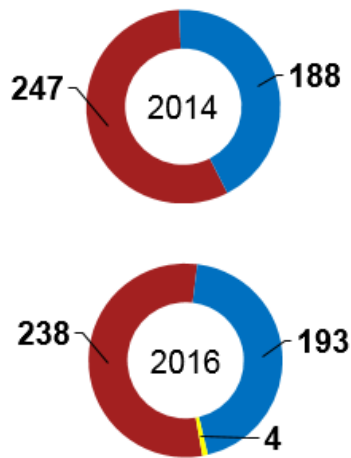
- Current tax reform proposals
- State Aid
- New U.S. Model Income Tax Treaty
- Luxembourg – U.S. Dual Income Tax Treaty

Current tax reform proposals

2016 elections provide new balance of power with Republican control of White House and Congress

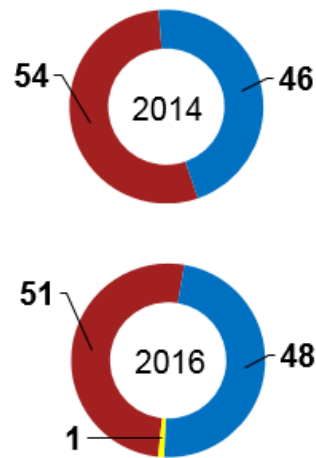
2016 Elections – final results as of Nov. 10, 10 AM ET

US House



	2014	2016
Republicans	247	238
Democrats	188	193
Undecided		4
2016 Net change		House Ds +6

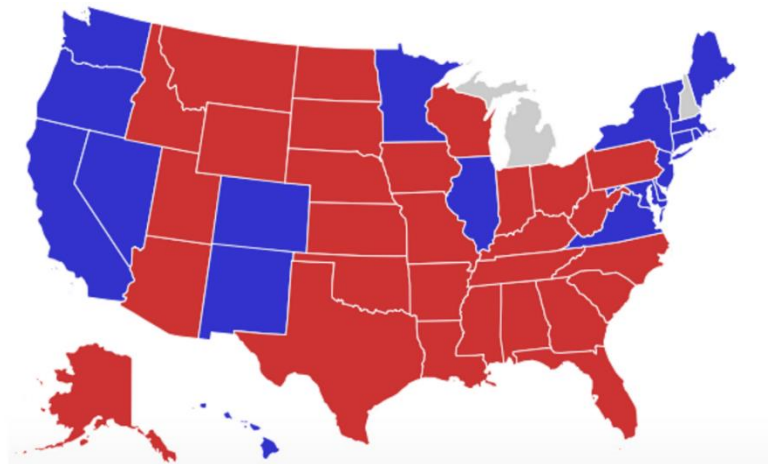
US Senate



	2014	2016
Republicans	54	51
Democrats*	46	48
Undecided		1
2016 Net change		Senate Ds +2

* Includes two Independents: Senators Bernie Sanders (I-VT) and Angus King (I-ME)

■ Republicans ■ Democrats ■ Undecided



2016 electoral college results
(270 required to win):

Trump
290

Clinton
228

Current tax reform proposals – Selected items

President-elect Donald Trump

- Lower individual tax rates, with three brackets: 12%, 25% and 33%
- 20% top capital gains tax rate, with repeal of ACA 3.8% net investment tax
- 15% rate on business income, for C corporations and pass-through business entities
- End deferral of tax on foreign earnings and retain foreign tax credits
- 10% one-time deemed repatriation tax

House GOP Blueprint

- Lower individual tax rates, with three brackets: 12%, 25% and 33%
- 50% exclusion for capital gains, dividends and interest (16.5% top rate)
- 20% corporate tax rate, with 25% rate for pass-through businesses
- Border-adjustable 100% expensing for equipment and real property
- No deduction for business net interest expense
- 100% territorial dividend exemption
- Subpart F FPHCI (passive income) is retained; remainder is repealed
- Deemed repatriation tax: 8.75% cash / 3.5% other

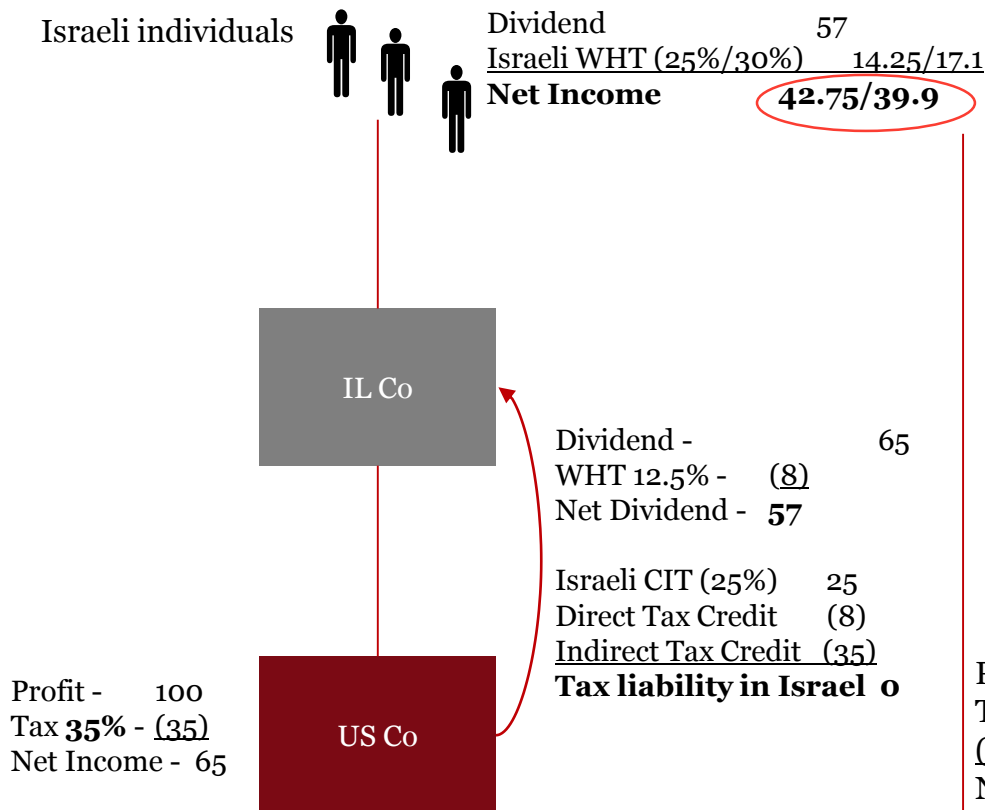
Senate Finance Committee

- Senate Finance Committee Chairman Orrin Hatch (R-UT) and his staff have been working on a detailed corporate integration proposal that could be considered as part of reform efforts.
- Finance Committee Ranking Member Ron Wyden (D-OR) has released detailed statutory tax reform discussion drafts addressing cost recovery rules and the tax treatment of derivatives.
- Senator Wyden also is working on legislation to address corporate 'inversions'

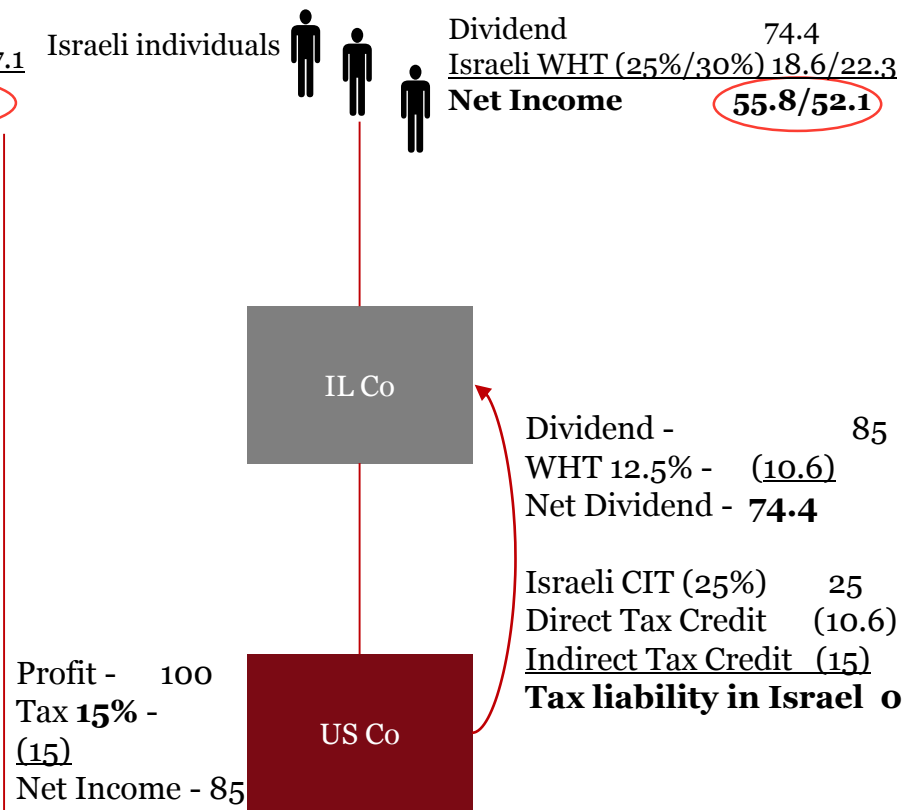
Current tax reform proposals (con't)

Reduction of corporate tax rate to a flat rate of 15% (Trump) /20% (Republican Party Blue Print)

Current

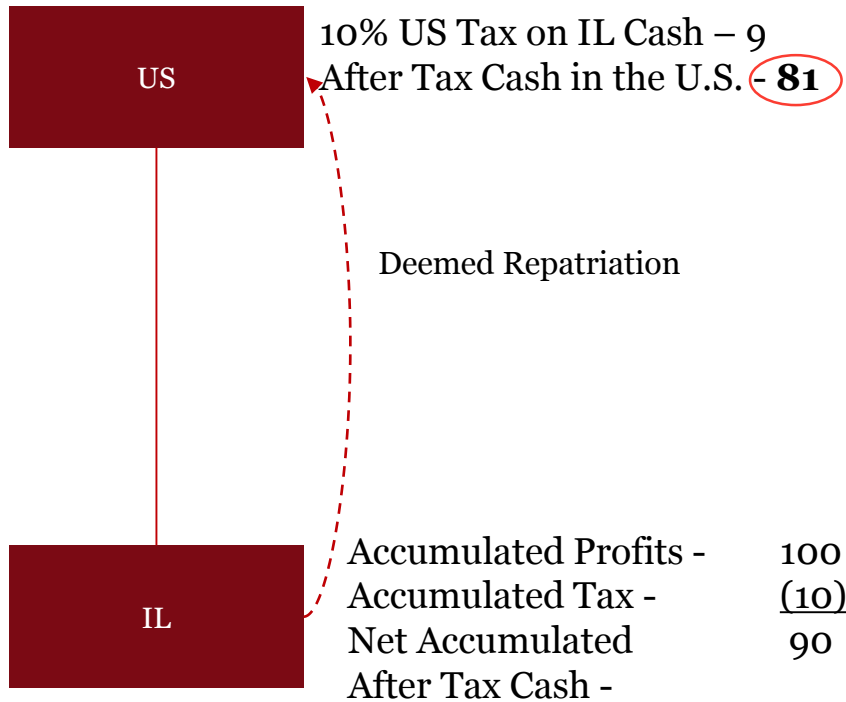


Proposed

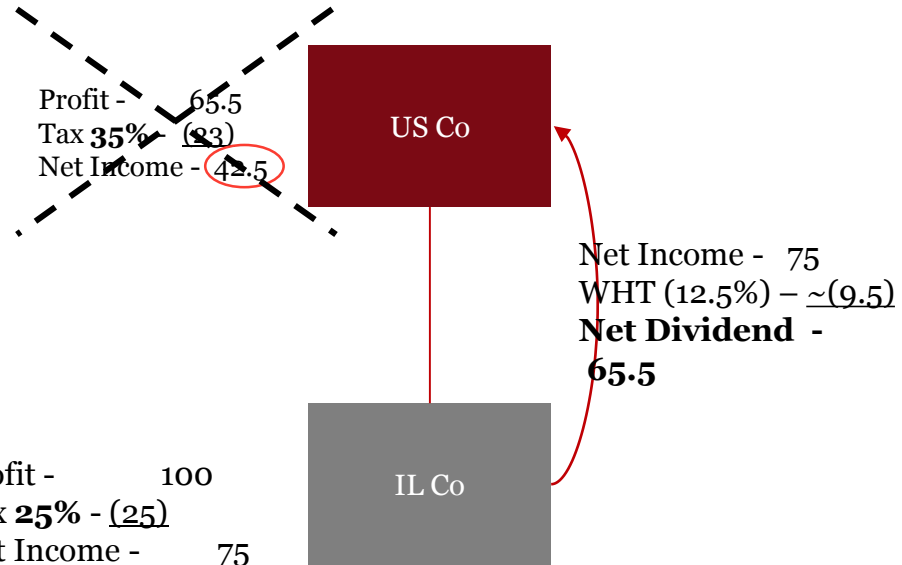


Current tax reform proposals (con't)

One-time deemed repatriation tax



100% tax exemption with respect to dividends from foreign subsidiaries



Current tax reform proposals (con't)

Border adjustable: no deduction for cost of imported goods and services; no tax on receipts from exported goods and services

ABC Inc.

Revenue	Current	Proposed
US Income associated with US COGS	1,000	
US Income associated with Non-US COGS	750	
US COGS	500	
Non- US COGS	400	
US gross profits associated with US COGS	500	500
US gross profits associated with Non-US COGS	350	750
Total taxable income	850	1,250

Current tax reform proposals (con't)

Consolidation of the current seven tax brackets into three and overall reduction of tax rates

Current		Proposed	
Rate	Single Filer	Rate	Single Filer
10%	0 - 9,225	12%	0 - 37,500
15%	9,275 - 37,650		
25%	37,650 - 91,150	25%	37,500 - 112,500
28%	91,150 - 190,150		
33%	190,150 - 413,350	33%	112,500+
35%	413,350 - 415,050		
39.6%	415,050+		

State Aid

The European Commission Decision - Apple

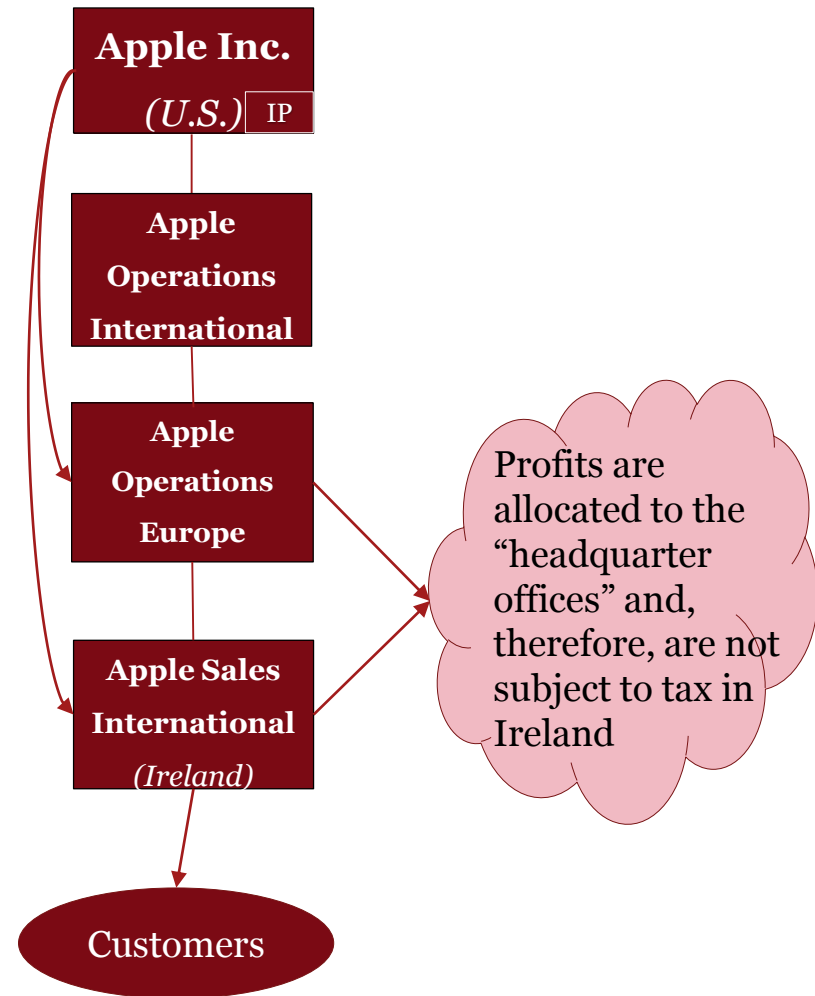
The EC Decision

- ✓ The rulings were selective and thus, constituted unlawful state aid
- ✓ Apple paid effective corporate income tax which was reduced from 1% in 2003 to 0.005% in 2014
- ✓ EC ordered Ireland to recover from Apple € 13 billion

The Irish companies manufacture and sell the group's products outside North & South America under a profit sharing agreement

Treasury White Paper

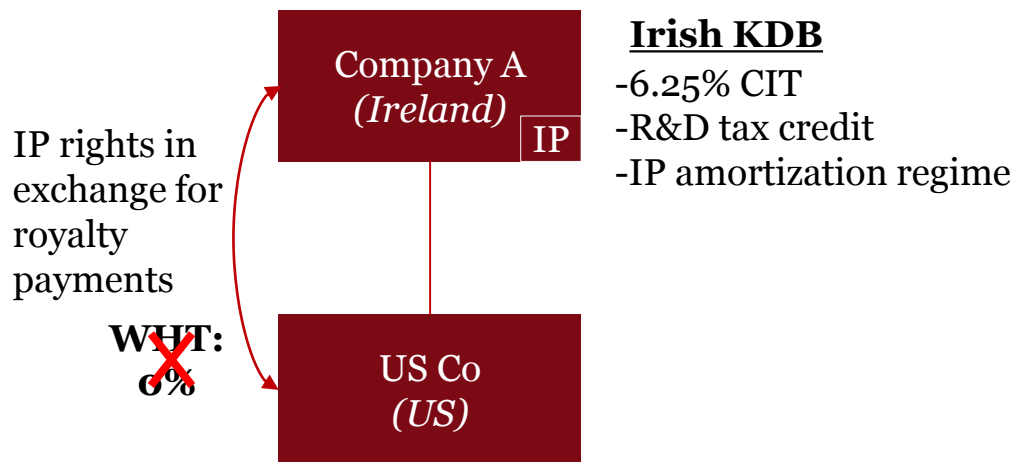
- ✓ The US Treasury considers that the EC has adopted a new approach by collapsing the requirements of advantage and selectivity and by considering an advantage that is only available to multinationals as necessarily selective.



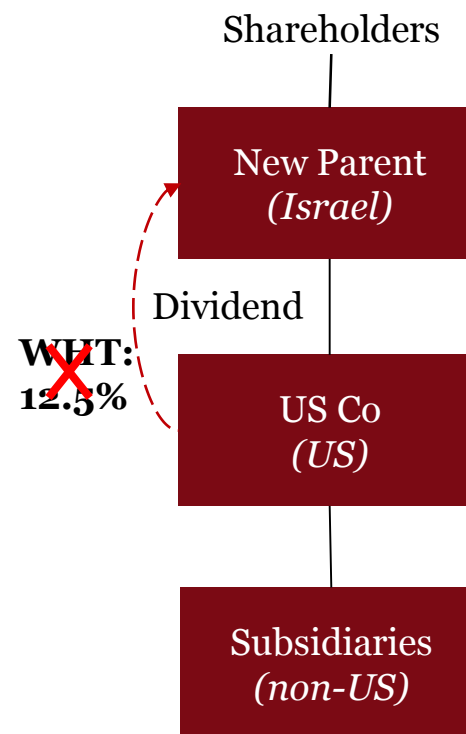
New U.S. Model Income Tax Treaty

New U.S. Model Income Tax Treaty

Limiting treaty benefits for income subject to certain preferential tax regimes



Limiting treaty benefits for payments made by inverted companies to related persons

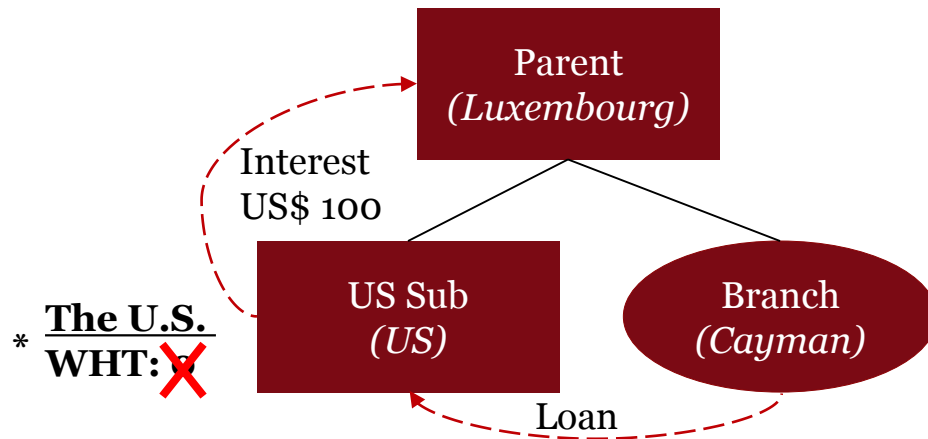


Luxembourg – U.S. Dual Income Tax Treaty

Luxembourg – U.S. Dual Income Tax Treaty

Luxembourg

- **Income: US\$ 100**
- **The foreign branch's income is exempt from tax**



The U.S.

- **CIT: 35%**
- **Expense: US\$ 100**
- **Tax Saving: US\$ 35**

Cayman

- **Income: US\$ 100**
- **CIT: 0%**

* **Pending Senate Ratification**

Thank You!

Avram Metzger, Tax Partner, PwC U.S.

Avram.s.Metzger@us.pwc.com

Tel: (646) 471-7469

Yair Zorea, Tax Partner, PwC Israel

Yair.Zorea@il.pwc.com

Tel: 03-795-4465



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