

Navigating Through Change

The A to Zs of US Tax Reform



ATI / Adjusted Taxable Income

Interest expense deduction limited to 30% ATI with certain adjustments

GILTI / Global Intangible Low-Taxed Income

US shareholders of CFCs subject to current US tax on GILTI with a 50% deduction; an 80% foreign tax credit is permitted

BEAT / Base Erosion and Anti-Abuse Tax

10% minimum tax on taxable income excluding deductible ("Base erosion") payments made to related parties

Hybrid transactions / entities

Disallowance for certain payments involving hybrid transactions and hybrid entities

Corporate Tax Rate

reduction to 21% from 35%

International tax regime

moves to a 100% foreign dividend exemption from non-US subsidiaries

Domestic production activities deduction (Section 199) repealed

Jurisdiction

Income from inventory sales would be sourced entirely based on the jurisdiction / place of production

EBITDA / EBIT

Earnings Before Interest, Taxation, Depreciation and Amortization / Earnings Before Interest, Taxation (ATI is a rough equivalent of EBITDA before 2022 / EBIT from 2022)

Keep R&D credit

FDII / Foreign-Derived Intangible Income

37.5% deduction on sales or service income of US companies in foreign markets that is more than 10% of a taxpayer's QBAI

Limitation on net business expense interest deductions

reduced from 50% to 30% of ATI (defined similar to EBITDA / EBIT); unlimited carryforward of unused interest deductions



MTI / Modified Taxable Income

Taxable income without base erosion tax benefit payments



Toll Tax on previously untaxed foreign earnings payable over 8 years; 15.5% tax on cash and cash equivalents; 8% tax on non-cash assets



NOL / Net Operating Loss

Offset 80% of income, indefinite carryforward, no carryback



US shareholder definition /

Stock attribution rules for determining status as a CFC modified



Overall business purpose and objectives

should continue to drive decisions



Value / Analyse existing historical tax attributes



Partnership Interest

Foreign partner's sale of partnership interest may be treated as effectively connected with a US trade or business if sale of assets by partnership would result in effectively connected gain or loss



Withholding taxes

30% US withholding tax remain



QBAI / Qualified Business Asset Investment

Assets used in a trade or business that are depreciable



Extensive modelling

to determine impacts of tax reform



Repeal of Corporate AMT /

Alternative Minimum Tax



Years Effective

Provisions differ on effective dates



SALT / State and Local Tax

Not all states have uniformity with the federal tax reform measures



Zero

The number of multinational businesses not affected by the tax reform