



## MADE IN AMERICA TAX PLAN AND BEPS 2.0 PILLAR TWO

CBA

On March 31<sup>st</sup> the President of the United States announced the so-called Made in America Tax Plan (MATP) whose report was released on April 7<sup>th</sup>. This is a tax reform of paramount importance not only because it aims at backing the ambitious American Jobs Plan\* expected to absorb large volumes of funding – around 1% of the American GDP – but also because its effectiveness relies on the interaction with the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) with respect to BEPS 2.0 work on Pillar Two towards a global minimum tax regime on income generated by multinationals.

More specifically, the MATP would allow the USA, *inter alia*, to raise the corporate income tax rate up to 28% and charge a tax of up to 21% on certain overseas profits for large American multinationals.

As these changes would result in undesired profit and investment shifting, and even transfers of residence to foreign countries imposing lower corporate tax rates, the new Biden Administration confirmed to the Steering Group of the OECD Inclusive Framework their availability to support BEPS 2.0 work on Pillar Two in reaching a conclusion on the aforesaid minimum tax on the offshore earnings of multinationals considered as being subject to under-taxation; accordingly, the MATP should be consistent with the structure currently provided for by the Pillar Two Blueprint. In fact, as the MATP report explains, the USA expect the introduction of the global minimum tax to progressively help countering tax competition based on the decrease in the tax rate on corporate profits to thresholds that are unsustainable for large economies.

The American legislative process is extremely complex and although the Democratic Party “controls” the legislative system, this does not necessarily imply at the moment that the MATP will be passed into law or that such law will reflect what has been proposed. Likewise, although the OECD/G20 Inclusive Framework aims to conclude talks on the Pillar Two Blueprint within mid-2021, there is no guarantee that the 135 member countries would reach an agreement on the global minimum rate – rumours have appeared in the American press suggesting that Biden would have sought

a tax rate of 21%, well beyond the rate of 10%-15% discussed at the OECD level which has brought about consensus across the countries in the Inclusive Framework so far.

International tax law is expected to be profoundly impacted both by the final approval of BEPS 2.0 Pillar Two Blueprint and the introduction of the tax measures provided for by the MATP in the USA. In the light of this, CBA built a work team of professionals specialising in international tax matters, which will monitor the OECD's works and the American legislative process related to the MATP, so as to become a reference point.

*\* The American Jobs Plan consists in a proposal aimed at boosting investment in infrastructure, the production of clean energy, the care economy and other priorities.*

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