# International Tax Insight

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## Editorial

Welcome to the latest edition of Baker Tilly International's premier tax publication. In an increasingly globalised world, the following content aims to cover key tax topics which should be of interest to businesses operating internationally.

This edition features recent international tax developments emanating from Brazil, the European Union, India, Indonesia, Ireland, Italy, Mexico, New Zealand, the Organisation for Economic Co-operation and Development (OECD), Russia, South Africa, Spain and the US.

Should you require further information regarding any international tax matters, please do not hesitate to contact a specialist from one of our member firms, which can be located within our Worldwide Directory at www.bakertillyinternational.com.

I hope you find this document informative.

**Chris Danes**

International Tax Director,
Baker Tilly International

## Brazil

**Brazil Cuts Tariffs**

Brazil's Chamber of Foreign Trade (CAMEX) announced on 2 February 2015, that it has approved import duty cuts for 445 products, with the aim of boosting investment in certain industry sectors.

The import duty reductions apply to 435 capital goods and ten computer and telecommunications goods. In the case of IT goods, the duty will fall from 16% to 2%, and in the case of capital goods, the rate will drop from 14% to 2%.

The decision mainly covers inputs for the food, petrochemicals, cement, wood and furniture, and construction industries, and — based on current trade volumes — will in particular benefit exporters in the US, Germany, Italy, China and the Netherlands.

## European Union

**EU Commission Releases Corporate Tax Reform Plan**

On 18 March 2015, the European Commission presented a package of transparency measures aimed at tackling corporate tax avoidance and harmful tax competition within the European Union (EU).

The transparency package is said to be "the first step in the Commission's ambitious agenda for 2015 to fight tax avoidance". The Commission said it will be followed, before the summer, by a detailed Action Plan on corporate taxation, which will set out the Commission's views on fair and efficient corporate taxation in the EU and propose a number of ideas to achieve this objective. This will include reconsideration of proposals for a Common Consolidated Corporate Tax Base amongst member states.

The package sets out a number of measures that can be taken in the short-term, including to establish an increased link between taxation and economic substance, in line with ongoing talks being led by the OECD.

However, more immediately, the Commission is in particular seeking to establish strict transparency requirements for tax rulings issued to companies by member states.

The Commission's report says: "Tax rulings which result in a low level of taxation in one member state can entice companies to artificially shift profits to that jurisdiction. Not only can this lead to serious tax base erosion for other member states, but it can further incentivise aggressive tax planning and corporate tax avoidance."

The report adds: "Currently, there is little information exchange between national authorities on tax rulings. Member states whose revenues are adversely affected by the tax rulings of others cannot take the necessary action in response. In line with the joint effort to combat corporate tax avoidance, there is an urgent need for greater transparency and information sharing on cross-border tax rulings including transfer pricing arrangements."

"Therefore, the Commission is putting forward a proposal for the automatic exchange of information on cross-border tax rulings. National tax authorities will be obliged to automatically share basic information on their cross-border tax rulings with all other member states, at regular intervals. Where relevant, member states that receive this information can then request more details."

The Commission has proposed that these new requirements be built into the existing legislative framework for information exchange, through amendments to the Directive on Administrative Co-operation. The Commission called upon the Council to prioritise adoption of these proposals.

Welcoming the announcement, OECD Secretary-General Angel Gurría said: "The European Commission's initiative is another major step to tackle corporate tax avoidance. It confirms that the Base Erosion and Profit Shifting (BEPS) project is fully on point and that co-ordinated solutions are the best way forward. The message is clear: change is happening and co-operation and transparency are replacing secrecy and harmful practices."

"The package is fully in line with the work carried out in the OECD/G20 BEPS project and reflects the long-standing co-operation with the EU on these matters. The OECD will continue to work with the Commission on the implementation of these measures and in particular on a common format for transmission of information on rulings amongst tax administrations."

## India

### India to Cut Corporate Tax Rate

In his 2015 Budget speech, India's Finance Minister, Arun Jaitley, set out his roadmap for accelerating growth and enhancing prospects for investment, including plans for a 5% cut to the corporate income tax rate.

The tax cut, which would lower the rate to 25% within four years, would be funded in part by a review of various tax exemptions and incentives.

In his speech, Jaitley said that while there had been a feeling of 'doom and gloom' ahead of his Government taking office, India now has 'reason to feel optimistic,' with real gross domestic product (GDP) growth thought to have reached 7.4% in 2014/15 and with projections that growth will rise to between 8-8.5% in 2015/16.

A number of other salient measures were introduced in the Budget:

- The service tax plus education surcharge will rise to 14% from 12.36%, ahead of the introduction of the goods and services tax in the coming year
- The wealth tax will be abolished and will be replaced with a 2% surcharge on those with annual incomes above INR10m (around US$161,000)
- A new tax evasion bill will be introduced to toughen rules and penalties for those with undeclared offshore holdings.

As part of the 'Make in India' scheme, which aims to support growth and investment in domestic manufacturing, a number of new tax measures have been announced, including:

- The rationalisation of capital gains incentives for the listing of Real Estate Investment Trusts (REITs) and Infrastructure Investments Trusts (INViTs)
- Modification of Permanent Establishment (PE) rules to encourage fund managers to relocate to India
- The deferral of the General Anti Avoidance Rule (GAAR) for two years
- The introduction of an additional investment allowance (of 15%) and an additional depreciation allowance (of 35%) for certain new manufacturing units during the period 1 April 2015, to 31 March 2020, in designated areas
- Depreciation allowances for new plant and machinery used for less than six months by a manufacturing unit engaged in the generation and distribution of power can be set off against the tax liability in the following year

- A cut to the rate of tax on royalty income and fees for technical services from 25% to 10%

- A reduction in basic customs duties on 22 items.

The threshold for the application of transfer pricing rules to 'specified domestic transactions' also rose from INR50m to INR200m.

Baker Tilly International member firm, DesaiHaribhakti (DHC) has undertaken an in depth analysis of the budget, which can be downloaded from their website www.dhc.co.in

## Indonesia

### Indonesia to Charge VAT on E-Commerce

The Indonesian Minister for Finance, Bambang Brodjonegoro, has confirmed the Government hopes to introduce value-added tax (VAT) on e-commerce.

Speaking on 1 February 2015, Brodjonegoro said the Ministry of Communications and Information Technology has been instructed to prepare regulations to tax online shopping at the 10% VAT rate.

In brief comments, he added that Indonesia is also to seek to tax foreign companies that receive revenues from hosting online adverts on behalf of Indonesian businesses, naming Google and YouTube.

## Ireland

### Northern Ireland CIT Bill Passes UK Parliament

The successful passage of the Corporation Tax (Northern Ireland) Bill is "a significant milestone on the journey to devolve corporation tax-setting powers to Northern Ireland," Theresa Villiers, the UK's Northern Ireland Secretary, has said.

The Bill passed its House of Lords stage on 17 March. However, as Villiers pointed out, the new powers will only be commenced if the Northern Ireland Executive parties "put their finances on a long-term sustainable footing".

"Changes to the welfare system are a key part of this. I hope the parties will continue to work hard to resolve current issues and ensure this enormous opportunity is not lost," she said.

Under the Stormont Agreement, signed in December 2014, the Northern Ireland Executive must implement welfare and public sector reform, plus bring the budget under control.

Villiers added: "Since 2010 this Government and the Executive have worked toward the shared goal of rebalancing the Northern Ireland economy, away from an over-reliance on the public sector and toward a more prosperous, successful economy. The Executive recognise the benefits a devolved corporation tax rate could bring to the local economy. They have estimated that some 40,000 jobs could be created and an additional 10% in output could be realised."

Northern Ireland's First Minister, Peter Robinson, has hinted that the Executive will pursue a reduction in the corporate tax rate, to bring it into line with the 12.5% charged in the neighbouring Republic of Ireland. The Executive will seek to introduce a new rate at the earliest possible date of April 2017.

## Italy

### Italy Sets Transaction Reporting Deadlines

The Italian Revenue Agency has issued further deadlines for banks and other financial institutions to report on the financial transactions entered into by their customers in 2013 and 2014, and for future years.

As required under the Revenue Agency's computerised file transfer platform, Sid (Sistema interscambio dati), the financial intermediaries that need to transmit their customers' business details include banks, the Italian post office, and investment managers and advisors.

For example, the information to be provided on current and savings accounts should contain the balance as at 1 January and 31 December each year; the opening balance, if the account was opened during the year; the closing balance, if the account was closed during the year; and the total value of certain transactions.

With regards to credit cards, the Revenue Agency will also obtain details of taxpayers' debit balances at the beginning and end of each year, and the total value of purchases made during the year. An institution will also have to provide data on the sales and purchases of gold and other precious metals during a year.

The services covered also include over-the-counter (non-customer) business, certificates of deposit, derivatives, safe deposit boxes (by the annual number of access visits), and investment funds, but not pensions.

Data for 2013 should have been transferred by 2 March 2015; and for 2014 by 29 May 2015. In addition, information for 2015, which will also have to give an average account balance, will need to be received by the Agency by 15 February 2016.

The information is being used to produce a specific list of those taxpayers considered to be a major tax evasion risk on the basis of criteria established by the Revenue Agency. It will be used to compare taxpayers' spending and investing habits against their completed individual and corporate income tax returns.

## Mexico

### Mexican Lawmaker Sets Out Tax Plans for SEZs

Lourdes Medina Valdés, a member of the Finance Committee of Mexico's Chamber of Deputies, has said that the country should focus on creating special economic zones (SEZs) as a way of boosting economic growth and employment.

She said that the Government needs to find new ways to support economic activity, rather than relying on investment funded by oil revenues. She proposed that Mexico's SEZs should be based on the models adopted in China and India.

According to Valdés's proposal, companies operating in the SEZs would benefit from zero-rated value-added tax (VAT) and exemptions from trade taxes. In addition the income tax rate for individuals would not exceed 12%, and companies would be subject to a rate of not more than 16%.

Mexico's Secretariat of Finance and Public Credit, Luis Videgaray Caso, said at the end of last year that Mexico intends to establish three SEZs in the poorest areas of the country. The SEZs, which are likely to be located in the southern states of Guerrero, Chiapas and Oaxaca, are intended to boost development in those less affluent regions.

## New Zealand

### New Zealand Planning Response to BEPS

On 13 March 2015, New Zealand's Minister of Revenue, Todd McClay, announced the Government's tax policy work programme for 2015/16, which includes key international tax reforms aimed primarily at countering BEPS.

In particular, the Government intends to focus on the following areas of reforms:

- Negotiation of new double tax avoidance agreements (DTAAs) with Samoa, Luxembourg, Portugal and Slovak Republic, and the renewal of existing DTAAs with Norway, China, Korea and Australia
- Work towards progress on the mutual recognition of trans-Tasman imputation credits, which would see both New Zealand and Australia recognise company tax paid in the other jurisdiction for imputation purposes
- Consideration of changes to rules concerning hybrid instruments and entities in view of the recommendations in this area from the OECD's BEPS project
- Addressing problems with the application of non-resident withholding tax on interest on related-party debt
- Consideration of the country's interest limitation rules in view of the BEPS project
- Working to clarify the relationship between the general anti-avoidance rules and DTAAs.

Announcing the tax reform package at the IFA Annual Conference in Queenstown, McClay said: "The Government is conscious of the fine balancing act required to ensure that overseas investors continue to see New Zealand as a good place to do business. It is critical that the tax system does not stand in the way of businesses growing and thriving in New Zealand. But part of being a good place to do business means ensuring that our tax rules are fair — for everyone."

"Countering BEPS will help to level the playing field and will also help maintain confidence and belief in the tax system. We will therefore continue to work with the OECD and the G20."

## OECD

### OECD Holds Meetings on BEPS Project

More than 240 tax officials from over 90 jurisdictions gathered at the OECD's Conference Centre in Paris to participate in a series of international meetings devoted to discussing ways to prevent BEPS.

The meetings built on talks with developing countries that have taken place at regional level, in Seoul, South Korea; Lima, Peru; Libreville, Gabon; Ankara, Turkey; and Pretoria, South Africa.

Meanwhile, on 16-17 March 2015, the OECD's Global Forum on Transfer Pricing discussed the current state of play on work towards recommendations in the area of transfer pricing, taking into account feedback at the regional meetings. The OECD also signed a Memorandum of Understanding with the Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF) to support the discussions between francophone countries on engaging in the BEPS process and implementing recommendations.

On 18 March 2015, the OECD's Task Force on Tax and Development met. In their closing statement, the co-chairs applauded the ongoing work to support developing nations and welcomed the involvement of international and regional organisations to support the practical implementation of the BEPS measures, including through the development of 'toolkits' and the provision of technical assistance.

The meetings also discussed recommendations that are due on ensuring that countries' tax breaks do not erode the tax bases of other countries and on transfer pricing comparables, which are due to be presented in the second half of 2015.

### OECD Updates G20 on BEPS Progress

The OECD has briefed leaders of the G20 nations on recent advances towards the conclusion of its BEPS project, which it says may be completed ahead of schedule.

The OECD presented a report to the G20 Finance Ministers and Central Bank Governors' meeting on 10 February 2015, in Istanbul, Turkey. The OECD noted "significant progress in the implementation of the 2014 [BEPS] deliverables," while stating that "important headway has already been made on some of the remaining components of the full package to be delivered by September."

Releasing the report, OECD Secretary-General Angel Gurría said: "The work is being undertaken on an ambitious timetable and will require the hard work of your teams. But, if thanks to your political leadership, we continue progressing at the same pace, I will be in a position to present you the whole 2015 BEPS package at your meeting in Lima, in early October. It will then be available for endorsement by your leaders, in Antalya, in November. This will be, undoubtedly, a major deliverable of the G20 this year!"

In particular, the OECD's report confirms an international agreement on:

- The application of key country-by-country reporting requirements through a government-to-government exchange mechanism
- The application of the modified nexus approach to phase out harmful intellectual property regimes
- A framework for negotiations towards a multilateral instrument to update provisions in the more than 3,000 tax treaties negotiated worldwide.

The report also notes increased participation by developing countries in the BEPS project. A total of 62 countries are working together on the proposals, including 14 developing countries representing a regional balance of interested lower income economies, which are to join the decision-making and technical working group meetings, the OECD said.

The report states that the "OECD is working with its partners in other international and regional organisations to support developing countries to secure a stronger tax framework that can sustainably finance domestic development needs".

"This is a historic move and is a decisive response to your call to ensure that developing countries are more deeply engaged in the reform of the international tax rules, with their needs to be reflected in the BEPS outcomes," Gurría told the G20.

### OECD Urged to Change Tack on Action 4

The OECD has published stakeholders' comments on its discussion draft on

BEPS Action 4, which deals with interest deductions and other financial payments.

The discussion draft, which was released on 18 December 2014, stresses the need to address BEPS arrangements that use deductible payments to give rise to double non-taxation in both inbound and outbound investment scenarios. It examines existing approaches to tackle these issues and sets out different options for approaches that may be included in a best practice recommendation.

Commenting on the proposals, the United States Council for International Businesses (USCIB) said that BEPS Action 4 "should function as an anti-abuse rule and the policy choices should flow from that. Because any broad interest limitation has the potential to disallow interest expense that is unrelated to BEPS and such disallowance would have a negative impact on investment, the thrust of the rule should be to allow interest up to a relatively high threshold".

USCIB said that a "world-wide ratio, especially one that is not very high, will almost certainly result in the denial of interest deductions," and instead recommended a fixed-ratio approach, which the USCIB believes "gives MNEs more certainty concerning whether their level of debt in a particular country will be allowable and the interest therefore deductible".

On a similar note, William Morris of the Business and Industry Advisory Committee to the OECD (BIAC) said: "We have substantial concerns about the appropriateness and practicality of global group-wide tests, which we believe would create significant complexity and difficulties for taxpayers and tax authorities alike. Instead, we believe that a fixed-ratio approach on a jurisdiction-by-jurisdiction basis is a preferable and relatively simpler approach. It should be an effective and stable means of restricting BEPS activities, as it directly compares the amount of interest expense to the local country base."

For its part, the Canadian Bankers Association (CBA) argued that "the arm's-length principle should be used, or at least considered, by comparing the amount of debt of a related party to the amount of debt third party comparable companies carry relative to equity". The CBA criticised the OECD for ignoring "the arm's-length standard as a fundamental principle underlying the taxation of multinationals in the context of interest deductibility."

The CBA too rejected the global group-wide tests stating that the approach "would be ill-advised and impractical," adding: "We are also concerned that a group-wide test would ignore differences in business and borrowing needs across entities within a group. Finally, group-wide calculations would raise many of the same measurement issues as country-by-country reporting, as both the earnings-based allocation and the asset-based allocation would be distortive."

**ICC Adds to International Transfer Pricing Debate**

The International Chamber of Commerce (ICC) has responded to the OECD's discussion draft on BEPS Actions 8, 9 and 10, on transfer pricing. In the main, Actions 8, 9 and 10 seek to assure that transfer pricing outcomes are in line with value creation. The OECD is seeking to adopt transfer pricing rules or special measures for transfers of hard-to-value intangibles. It is also proposing the adoption of rules to prevent BEPS taking place through the transfer of risks amongst, or allocation of excessive capital to, group members, and to prevent groups from engaging in transactions that would not — or would only very rarely — occur between third parties.

In its introductory remarks, the Chamber said: "ICC acknowledges that transfer pricing must follow the business reality, reflecting actual conduct and actual allocation of functions and risks, and that contractual arrangements should reflect this. While ICC therefore appreciates modifications to the [OECD Transfer Pricing] Guidelines where this will enhance certainty and clarity in this area for both taxpayers and tax administrations, it is noted that extensively expanding the effect of the Guidelines could result in greater uncertainty and thus poses high risks of double taxation."

With regards to the practical implementation of the changes, it said: "ICC is concerned that taxpayers may no longer rely on contractual terms they have entered into with both related and unrelated parties. Even in an arm's length situation, it is common for a contractual agreement to be varied marginally in its actual conduct without an amendment of the agreement. This does not necessarily mean that the validity of contractual terms or the entire agreement is brought into question. Only where contractual terms are absent or misleading should they be clarified in the context of actual conduct. ICC would recommend a more forceful commitment to this position."

The ICC also noted that the "special measures mentioned in the discussion draft partially disregard the arm's length principle for the sake of achieving a specific outcome". It said: "ICC believes it is premature to propose any special measures until the impact of the other proposals can be evaluated and until the special measures and their impact have been more thoroughly assessed. ICC also suggests that such measures should be considered only after the application of transfer pricing rules. Otherwise, the underlying principle itself would be brought into question."

The ICC raised a number of other concerns. It said, "at a practical level, some of the proposals set out in the discussion draft are onerous... the most rigorous measures and standards that might ordinarily be applicable to only a handful of taxpayers are applied broadly, and this poses a real threat of misuse of such provisions in [the] case of the vast majority of taxpayers not engaged in BEPS".

Lastly, the ICC called for enhanced co-operation between customs and tax authorities, stating: "A stronger alignment of the interpretation of the arm's length principle and harmonisation of valuation determination would help to reduce legal uncertainty and conflicts."

**OECD Releases Guidance on CbC Reporting**

The OECD has published guidance in relation to the implementation of proposed country-by-country (CbC) reporting obligations.

The guidance, which was released on 6 February 2015, primarily relates to:

- The timings for the preparation and filing of the CbC report
- The necessary conditions to ensure the confidentiality of the reports
- The framework for government-to-government information exchange mechanisms, together with a work plan for developing an implementation package.

In September 2014, the OECD published a report entitled Guidance on Transfer Pricing Documentation and Country-by-Country Reporting. This report described a three-tiered, standardised approach to transfer pricing documentation, comprising:

- A master file, containing standardised information relevant for all group members of multinational enterprises (MNEs)
- A local file referring specifically to material transactions of the domestic taxpayer
- A CbC report containing certain information relating to the global allocation of the group's income, operations, and tax payments.

The OECD's new document recommends that the first CbC Reports be required to be filed for MNE fiscal years beginning on or after 1 January 2016. As it has been proposed that MNEs should be allowed one year from the close of the fiscal year to which the CbC Report relates to prepare and file the CbC report, this would mean the first CbC Reports would be filed by 31 December 2017, with some reports being filed later, in 2018.

The report also recommends that all MNE groups should be required to file the CbC Report each year, except for certain groups, including groups with annual consolidated group revenue in the immediately preceding fiscal year of less than €750m (US$850m) or a near equivalent amount in domestic currency.

## Russia

**Russia Ratifies OECD's Multilateral Tax Pact**

The Government of Russia has ratified the OECD's Convention on Mutual Administrative Assistance in Tax Matters.

The OECD said, with this development, Russia has joined the most comprehensive multilateral platform available for tax co-operation and exchange of information. The Convention, as amended by the 2010 Protocol, will enter into force in Russia on 1 July 2015.

According to the OECD, the Convention helps counter cross-border tax evasion and ensures compliance with national tax laws, while respecting the rights of taxpayers. Amongst signatory countries, the agreement enables various kinds of administrative assistance in tax matters, such as the exchange of information; simultaneous tax examinations and participation in tax examinations abroad; assistance in tax claim recovery; and the service of documents.

The Convention was developed jointly by the OECD and the Council of Europe, and has been open to all countries since 1 June 2011. As at 13 March 2015, it has entered, or is due to enter into force in 63 countries.

## South Africa

**South Africa Issues Comprehensive Dividends Tax Guide**

The South African Revenue Service (SARS) has issued a comprehensive guide explaining the dividends tax, which replaced the former secondary tax on companies (STC) with effect from 1 April 2012.

The former 10% STC was applied at the resident company level, whereas the 15% dividends tax involves the withholding of tax, subject to exemptions, from dividend distributions to shareholders. Dividends tax is a standalone tax and is not a payment towards a taxpayer's normal tax liability.

Three-year transitional rules for the move from the STC system to the dividends tax regime were agreed at the time. Taxpayers with pre-existing STC credits were allowed to use them to reduce the taxable amount for the calculation of dividends tax liability for the period until 1 April this year, on the notion that profits in the form of dividends could have previously been subject to the STC and should not therefore be subject to double taxation.

SARS has pointed out that one consequence of the change has been the differing rates applicable depending on the shareholder involved. For example, dividends paid to South African domestic companies are generally exempt on the basis that they will be taxed once the profits are eventually paid via further dividends to other individual shareholders.

In addition, dividends paid to foreign shareholders may now be eligible for tax treaty relief, and certain dividends paid by oil and gas companies and international shipping companies are subject to a zero rate of dividends tax.

Dividends tax is levied on the beneficial owner unless the dividend consists of a distribution of an asset in specie, in which case the distributing company is liable for dividends tax. In the latter event, SARS has noted that dividends tax is similar to the STC.

The guide also includes details of the exemption from dividends tax for certain foreign dividends, and on the provisions of the tax code that seek to combat tax avoidance relating to dividends received, for example, from hybrid debt instruments.

## Spain

**Spain Confirms New CbC Reporting Obligation**

The Government of Spain has announced that new CbC reporting obligations will be effective in Spain for tax periods beginning on or after 1 January 2016.

The CbC reporting obligation was announced on 20 January 2015.

With the announcement, Spain has become the second country in Europe to formally commit to the implementation of the OECD's proposals on CbC, after the UK committed in September to introduce the proposed reporting templates.

The OECD's proposals, under Action 13 of its work on BEPS, will require multinationals to provide a variety of information on their operations and tax arrangements, including on the allocation of revenues, risks, and profits amongst group members and details of their economic activities and tax payments.

The Government also recently introduced comprehensive changes to the country's transfer pricing and controlled foreign corporation rules.

## US

**SEC Says IFRS 'Not Ideal' for the US**

The Securities and Exchange Commission's (SEC) Commissioner, Kara Stein, has called for an end to the debate over the use of US generally accepted accounting principles (US GAAP) versus international financial reporting standards (IFRS).

There have been discussions for some time over whether there should be an alignment of accounting standards between IFRS, set by the International Accounting Standards Board and used in over 100 countries, and the US GAAP, managed by the Financial Accounting Standards Board. This is despite broad consensus that such convergence is unlikely in the foreseeable future.

While Stein said that "it is difficult to deny the appeal of a single set of globally recognised, high-quality accounting standards," she is "not convinced of a need to abandon US GAAP in favour of IFRS".

She said that neither accounting code "is perfect," and added that she is also "not convinced that providing financial statements in two different sets of accounting standards is beneficial for either investors or issuers".

"To be frank," she added, "this debate between duelling standards needs to move on. Neither regime worked ideally in the financial crisis, and neither may serve investors well in today's post-financial crisis, technologically disrupted, and data-driven world".

"Rather than debating the winner of the battle between US GAAP versus IFRS," she concluded, "we should be thinking anew about what kind of accounting regime we want going forward. … In other words, while convergence makes sense, the question for me is, what are we converging to? … We can adopt the best of what we have here in US GAAP, in IFRS, and the best of the new thinking out there".

She concluded by pointing out that the SEC "can benefit from being robustly engaged with the international community. We will never be harmonised and may never be perfectly converged. However, through respectful dialogue and vigorous advocacy, we can move forward advancing the values we hold dear — protecting investors, ensuring fair and orderly markets, and facilitating capital formation".

**Another Record Year for US Expatriations**

According to Treasury Department statistics published in the Federal Register, a record 3,415 US taxpayers gave up their passports or their green cards in 2014 — 14% more than the previous record of 2,999 in 2013.

The Treasury is required by statute to publish a quarterly list including the name of each individual who has lost or renounced US citizenship during the period. For purposes of this listing, long-term residents or green card holders are treated as if they were citizens of the US who lost citizenship.

The number of individuals giving up their citizenship has been notably greater in the last two years, with the highest level in recent years having previously been set at 1,781 in 2011. 1,062 lost or gave up their citizenship in the last three months of 2014 alone, the second highest quarter ever recorded, after the 1,130 seen in the second quarter of 2013.

The acceleration in the number of individuals giving up their citizenship is seen to have occurred at the same time as increased actions are being taken by the Treasury and the Internal Revenue Service (IRS) to trace American undeclared assets and income held abroad.

Of particular relevance was the 1 July 2014 deadline for the application of the Foreign Account Tax Compliance Act. The Act is intended to ensure that the IRS obtains information on accounts held abroad at foreign financial institutions by US taxpayers. To facilitate this regime, the US is negotiating more tax information exchange agreements with foreign jurisdictions.

It has also been said that more Americans living abroad are becoming aware of their unwanted US tax reporting obligations — for example, the requirement to file a Report of Foreign Bank and Financial Accounts — due to the US 'worldwide' tax code, which subjects all of an individual's earnings to US taxation.

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