International Tax Update: United States

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Transnational Tax Network
2025 AGM in Dublin
September 26, 2025

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THE “ONE BIG BEAUTIFUL BILL”

Modification of CFC Rules

Pre TJCA

- US tax law did not allow "downward attribution" of stock from a foreign parent corporation to a US subsidiary.

Post TJCA

- The prohibition on downward attribution was changed in 2017, such that a US subsidiary in a foreign- parented group was treated as constructively owning stock in certain foreign subsidiaries of the group, potentially causing them to be treated as CFCs

Under the OBBBA

Largely restores the pre-TCJA prohibition on downward attribution, but introduces a newly defined class of US shareholders, referred to as foreign-controlled US shareholders

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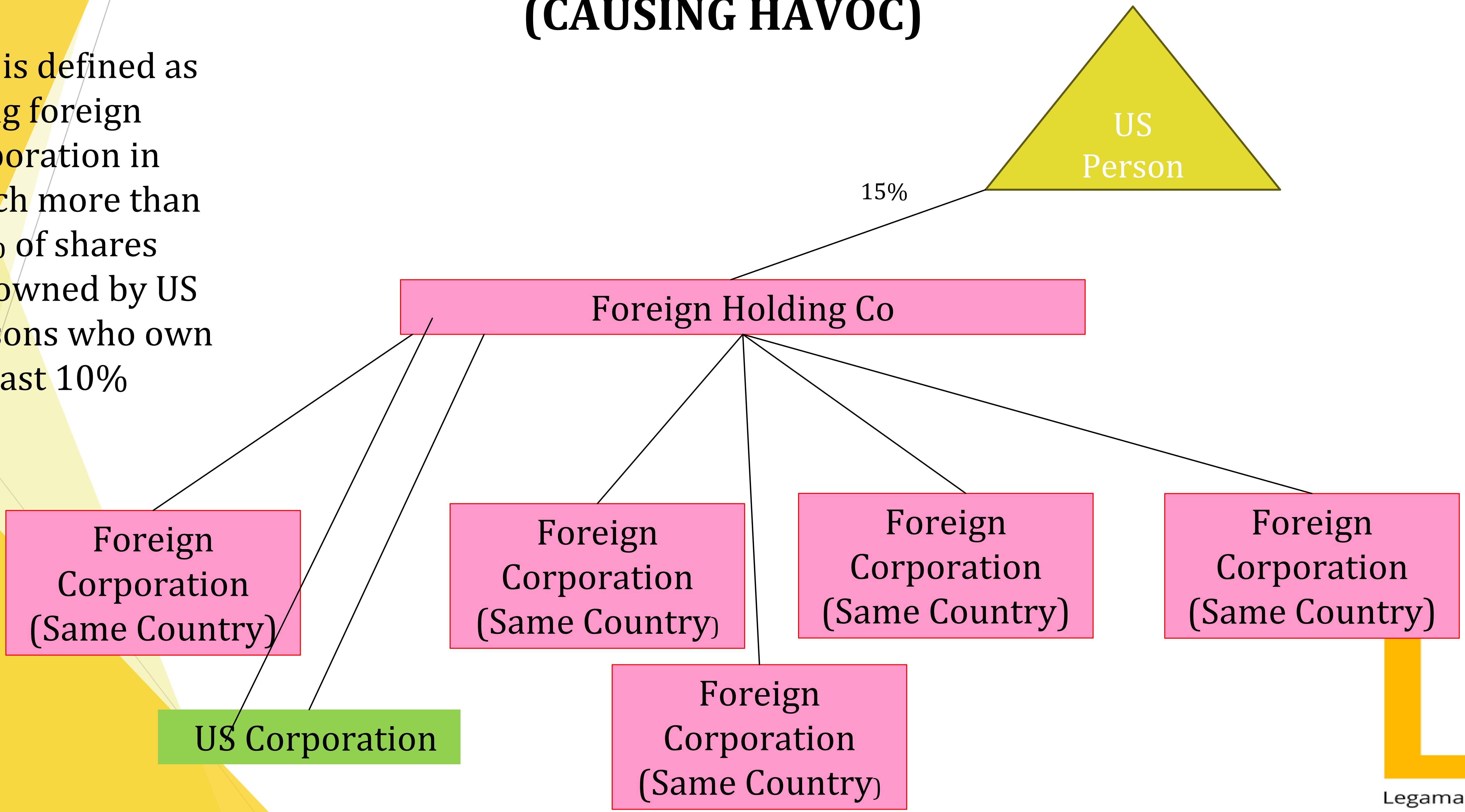
DOWNWARD ATTRIBUTION

(CAUSING HAVOC)

CFC is defined as being foreign corporation in which more than 50% of shares are owned by US persons who own at least 10%



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Expansion of Scope of CFC Rules

Pre TJCA

- Only those holding shares in a CFC on the last day of the. CFC's taxable year were required to include in income their pro rata share of the CFC's GILTI and subpart F income

OBBBA

- Any 10% US shareholder that owns shares in a CFC at any point during the taxable year will generally be an inclusion shareholder, required to include in income its pro rata share of the CFC's GILTI and subpart F income.
- Permanently extends a CFC look-through rule for related-party payments.
- Investments in US property will continue to be included only by those inclusion shareholders holding shares in the CFC on the last day of the CFC's taxable year.

NET CFC Tested Income - GILTI

TCJA

- Effective rate was schedule to increase from 10.5% to 13.125%
- A US shareholder is entitled to deduct 50% of its GILTI income.
- Allows a reduction of 10% return on Qualified Business Asset Investment (QBAI)to a US shareholder's GILTI inclusion
- Deemed paid foreign tax credit are subject to 20% haircut

OBBBA

- Renamed "Net CFC Tested Income"
- Permanently sets the GILTI (now NCTI)deduction at 40%
- Eliminates the QBAI reduction
- Reduction of the foreign tax credit haircut from 20% to 10%
- Results in an effective tax rate of 12.6% on NCTI

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FDDEI = FDII

Foreign-derived deduction eligible income changed from Foreign-derived intangible income

TCJA

- Effective rate was schedule to increase from 13.125% to 16.406%
- Allows a reduction of 10% return on QBAI to a US shareholder's GILTI inclusion

OBBBA – Renamed "Foreign-Derived Deduction Eligible Income"

- Results in an effective tax rate of approximately 14%
- Eliminates the QBAI reduction
- Excludes certain income from deduction eligible income
- Sale or disposition of certain IP and depreciable property.

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Base Erosion and Anti-Abuse Tax (BEAT)

The BEAT limits the ability of multinational corporations (with gross receipts of $500 million) to shift profits from the United States by making deductible payments to their affiliates in low-tax countries. Applies when payments that US corporations make to related foreign corporations—exceed 3% (2% for certain financial firms) of total deductions taken.

- **TCJA – originally scheduled to increase from 10% to 12.5%**
- **OBBA – permanently set at 10.5%**
  - **Permanently excludes the research credit and a portion of Sec 38 credits for purposes of computing the BEAT liability**

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Section 163(j) – Interest Limitation

TCJA

- Calculation was based on earnings before interest and taxes (EBIT)

OBBBA

- Calculation uses earnings before interest, taxes, depreciation and amortization (EBITDA). The definition for domestic adjusted taxable income (ATI) is amended to exclude the following items: Subpart F inclusions under Section 951(a) Section 956 inclusions Net tested income inclusions under Section 951A Section 78 gross-up amounts

  - Results in HIGHER ATI = MORE interest deduction capacity.

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Foreign R&E Capitalization Rules

Although domestic R&E expenditures can be fully expensed under the OBBBA, foreign R&E expenditures must still be capitalized and amortized over a 15-year window

MUSINGS IN THE PRIVATE WEALTH SPACE

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TRUMP INITIATIVE TO CAPTURE WEALTHY INDIVIDUALS

The Trump Gold Card

The Trump Platinum Card

Gold Card for Individuals

For a processing fee and, after DHS vetting, a $1 million contribution, receive U.S. residency in record time with the Trump Gold Card

Gold Card for Businesses

For a $2 million contribution, receive U.S. residency in record time with the Trump Corporate Gold Card for your employees. After a processing fee and DHS vetting, onboard your preferred candidate. The Trump Corporate Gold Card allows your business to transfer access from one employee and grant it to another, with the cost of a transfer fee and DHS vetting. A small annual maintenance fee will also apply.

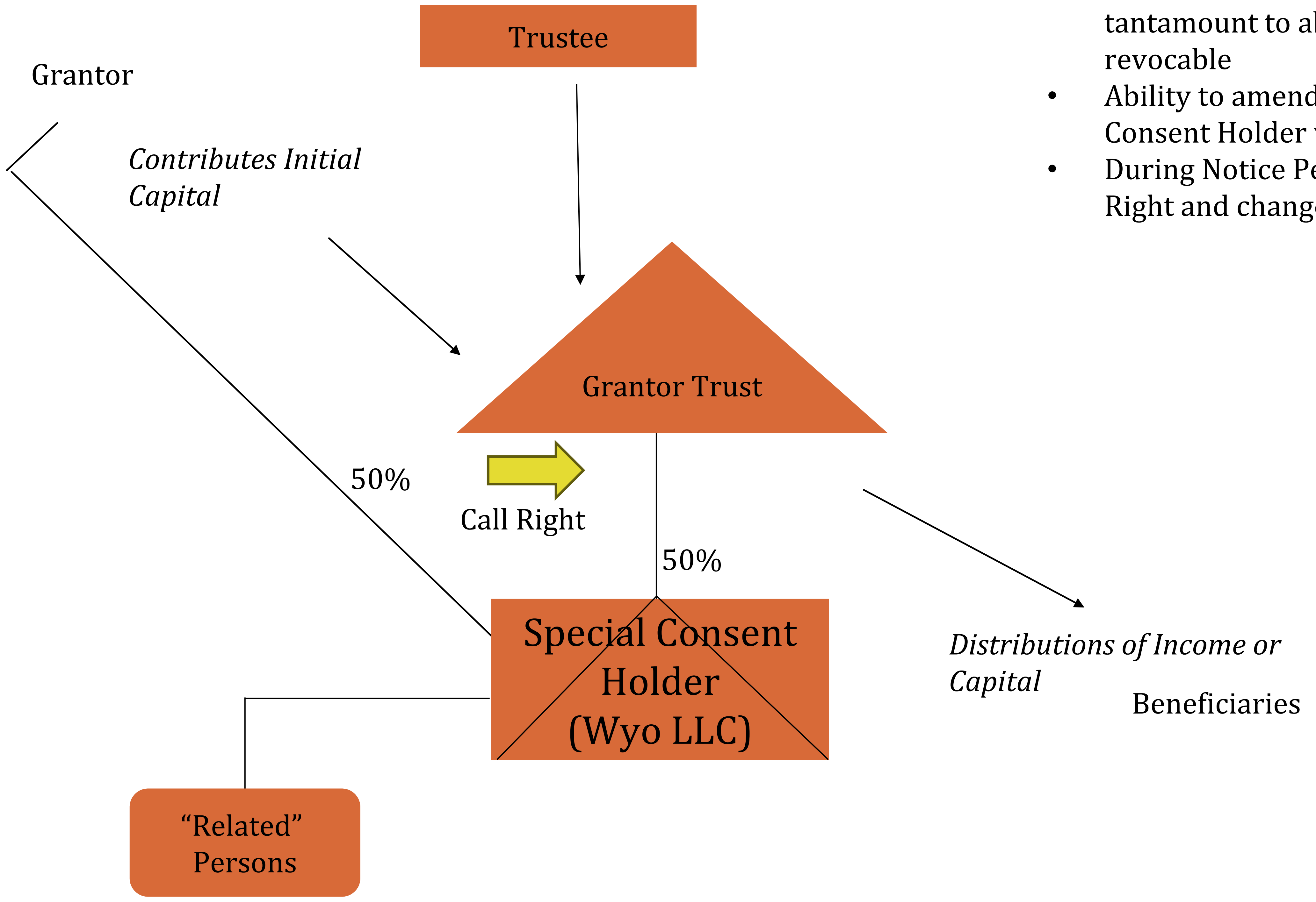
TRUMP PLATINUM CARD

For a processing fee and, after DHS vetting, a $5 million contribution, you will have the ability to spend up to 270 days in the United States without being subject to U.S. taxes on non-U.S. income.

- **Big Change for Many Non-US Investors**
- **No more management of 120 day count**

MOVING ON BECAUSE I’M NOT SURE THAT I’VE FILLED MY TIME

Foreign Grantor Trust Structure Addressing Home Country Issues



- Grantor has retained right to amend trust in full; tantamount to ability to make irrevocable trust revocable
- Ability to amend is subject to consent of Special Consent Holder with Notice
- During Notice Period, Trustee may execute Call Right and change delivered consent

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