By PwC Deutschland | 09. März 2017

US corporate tax reform planned

2017 seems to be the year for tax reform: There are currently major changes to the US tax system discussed that may also have a significant impact on German companies. German tax consequences of potential restructurings in response to the upcoming US tax reform must therefore be considered already at an early stage and the current developments be constantly monitored.

With Republicans controlling Congress and the White House in 2017, tax reform is back on top of the agenda in Washington. However, major disagreements over details remain. What is sure is that the proposed corporate tax reform is the most significant in years. Several proposals are currently on the table. They include the following major components.

- Reduction of corporate statutory tax rate from 35% to between 15% and 25%.
- 100% immediate expensing for investments
- Border adjustments (Exports tax-exempt, imports taxed)
- Change to territorial system (dividends received by US company 95%-100% tax-free)
- Elimination of most business deductions/credits (except R&D credits)
- Limitation of interest deduction
- Mandatory deemed repatriation tax on historic foreign earnings (“toll tax”)
- Amendment of controlled foreign corporation (“CFC”) rules

Outlook: Finalization of the intended legislation is expected to take place by the end of first quarter / early second quarter 2017; enactment of the proposed tax reform is scheduled for August 2017.

Read more detailed information on the considerations of the potential US tax reform for management:

US-Tax-Reform-a-German-Perspective-at-a-Glance

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Schlagwörter

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