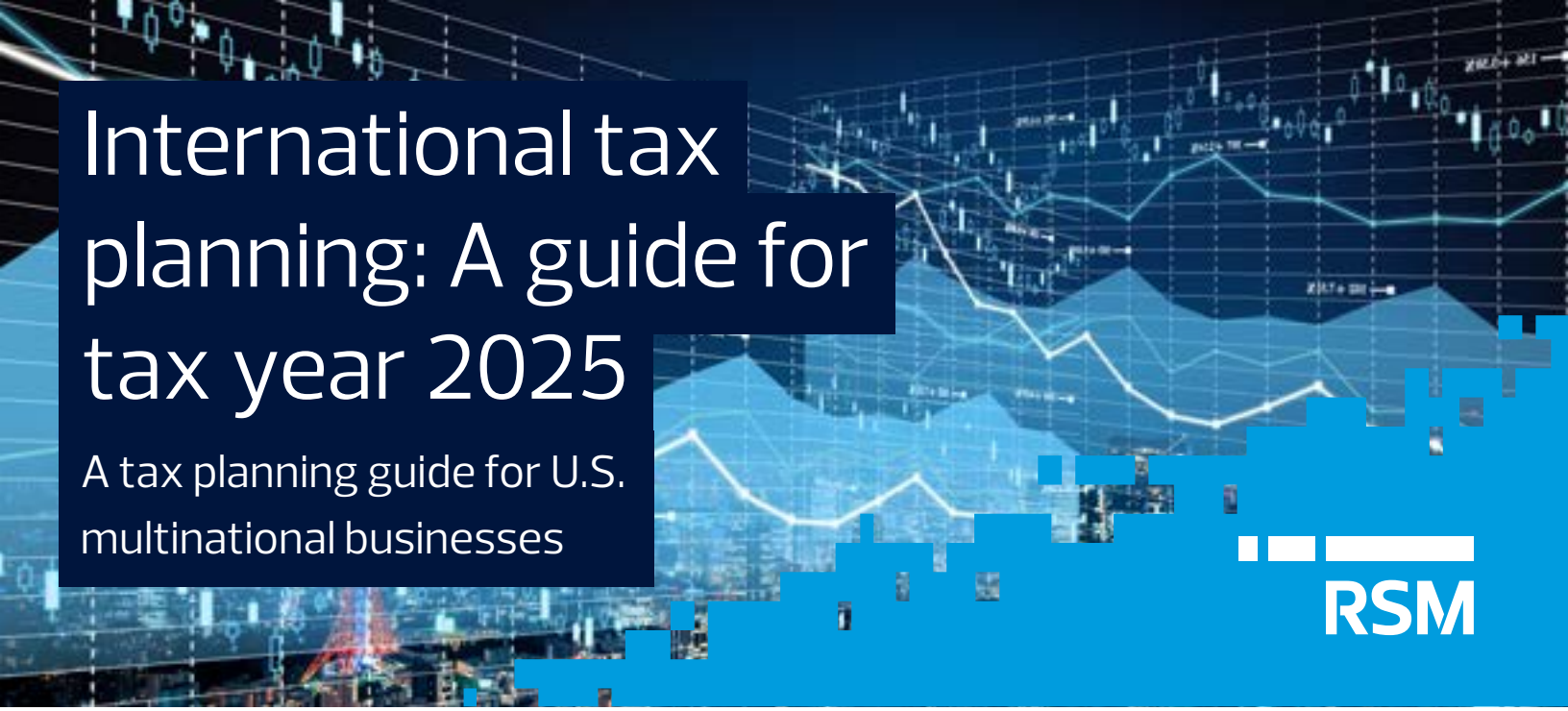




International tax planning: A guide for tax year 2025

A tax planning guide for U.S. multinational businesses

RSM

The international tax landscape is undergoing a profound transformation, driven in 2025 by legislative reform, global coordination efforts and evolving compliance demands. This guide equips U.S. multinational businesses with insights needed to navigate these changes and align their tax strategies with broader business objectives.

At the heart of this year's developments is the One Big Beautiful Bill Act (OBBBA), which introduces sweeping updates to U.S. international tax rules. While OBBBA's impact is major—redefining regimes such as FDDEI (formerly FDII), GILTI (now NCTI) and subpart F—it is only part of a larger evolution that includes trade and tariff challenges, global reforms involving the digital economy and evolving reporting requirements.

As multinational enterprises (MNEs) prepare for 2026 implementation deadlines, proactive modeling, cross-functional coordination and strategic planning are essential. This guide is designed to help tax leaders identify risks, uncover opportunities and stay ahead of regulatory developments in the evolving global tax environment.

International tax planning considerations

Foreign-derived deduction eligible income

The Tax Cuts and Jobs Act of 2017 (TCJA) established a foreign-derived intangible income (FDII) regime as an export incentive that allows a U.S. corporation to deduct export sales revenue exceeding a 10% return on tangible depreciable assets that constitute a qualified business asset investment (QBAI).

OBBBA changed the name of FDII to foreign-derived deduction eligible income (FDDEI) and made a number of substantive changes regarding how deduction eligible income (DEI) is calculated.

OBBBA eliminated the QBAI exclusion. Under current law, DEI generally excludes 10% of a U.S. corporation's tangible assets or QBAI. For tax years starting on or after Jan. 1, 2026, DEI will be determined without a reduction for QBAI.

This change is favorable to taxpayers because it broadens the income base to which the FDDEI deduction may be applied and was intended to reduce the incentive for maintaining tangible assets outside the United States.

OBBBA also broadens the income base of the FDDEI deduction by determining DEI without allocating interest and research and experimental expenses.

However, OBBBA also narrows the FDDEI base by excluding from DEI any income or gain resulting from the sale or disposition

(including a deemed disposition subject to section 367(d)) of intangibles or other assets subject to depreciation, amortization or depletion. This change applies to dispositions occurring after June 16, 2025, which may affect a taxpayer's FDDEI calculation for the 2025 tax year.

The deduction is currently 37.5% of a corporation's FDDEI. For tax years starting on or after Jan. 1, 2026, the FDDEI deduction will be 33.34%. Additionally, this deduction is now made permanent. This will increase the effective tax rate (ETR) on FDDEI from approximately 13.125% to 14%.

The FDII deduction has come under scrutiny by the Organisation for Economic Co-operation and Development (OECD) as a harmful tax practice under base erosion and profit shifting (BEPS) Action 5, based in part on the low correlation required between the intangible-related eligible income and research and development (R&D) activities that create intellectual property.



Take action: Taxpayers should carefully consider whether they are eligible to claim the FDDEI deduction and evaluate transactions affected by exclusions from DEI for depreciable, amortizable or depletable property. Taxpayers should use modeling to maximize its potential benefits and understand how the changes to the DEI calculation and FDDEI deduction will affect a taxpayer's FDDEI benefit.

Dig deeper: [Global taxation reform: What changes to GILTI and FDII mean for multinationals](#)

Global intangible low-taxed income

With the enactment of OBBBA, the global intangible low-taxed income (GILTI) regime has been renamed the net controlled foreign corporation (CFC) tested income (NCTI) regime.. Substantive changes to the regime have also been enacted, including:

Eliminated NDTIR deduction

Previously, taxpayers reduced their GILTI inclusion by deducting the CFC's net deemed tangible income return (NDTIR). OBBBA eliminates this deduction effective for tax years beginning after Dec. 31, 2025.

Reduced section 250 deduction

Corporate U.S. shareholders and individuals making a section 962 election are generally eligible for a section 250 deduction on NCTI inclusions.

Under TCJA, this deduction was 50% and was scheduled to be reduced to 37.5% starting in 2026. OBBBA permanently reduces the deduction to 40% for tax years beginning after Dec. 31, 2025.

Modified foreign tax credit haircut

The TCJA imposed a 20% haircut on indirect foreign tax credits (FTCs) related to GILTI inclusions, allowing only 80% of the foreign income taxes imposed on a CFC to be creditable by a U.S. shareholder.

OBBBA reduces this haircut to 10%. Under TCJA, foreign withholding taxes paid on distributions of GILTI previously taxed earnings and profits (PTEP) were fully creditable. OBBBA introduces a 10% haircut on foreign withholding taxes related to distributions of NCTI PTEP, reducing the creditable portion to 90%.

Modified pro rata share rules

Previously, GILTI inclusions were based on ownership of shares on the last day of the CFC's tax year. OBBBA revises this approach.

NCTI inclusions are now determined based on the U.S. shareholder's ownership period during the tax year. A U.S. shareholder that owns stock (directly or indirectly) in a CFC on any day during the tax year is required to include its pro rata share of NCTI items from the CFC, even if it does not hold shares in the CFC on the last day of the CFC's tax year.



Take action: Taxpayers should begin planning now to manage additional NCTI inclusions that may occur with the removal of the NDTIR deduction and understand how the modifications to the pro rata share rules will affect a U.S. shareholder's inclusions following a mid-year disposition.

LEARN MORE



- 10 quick year-end reminders for GILTI
- [Global taxation reform: What changes to GILTI and FDII mean for multinationals](#)

Subpart F income

Subpart F, enacted under the Revenue Act of 1962, is an anti-deferral regime that subjects certain U.S. shareholders of CFCs to current U.S. taxation on the CFC's undistributed income. A U.S. shareholder is a U.S. person owning 10% or more of the voting power or value of a CFC.

Subpart F income includes:

- Insurance income
- Foreign base company income, which consists of:
 - Foreign personal holding company income (FPHCI): Passive income like dividends, interest, rents, royalties and currency gains is included. Key exceptions include the active trade/business exception, section 954(c)(6) look-through and qualified insurance income.
 - Foreign base company sales income (FBCSI): Income from related-party sales of goods manufactured and sold for use outside the CFC's country is included. Exceptions include same-country and CFC manufacturing rules.
 - Foreign base company services income (FBCSVCI): Income from services performed outside the CFC's country for related parties is included. Exceptions include manufacturing, oil-related and financial services income.

Subpart F income is reduced by allocable deductions. Corporate U.S. shareholders may claim a deemed-paid foreign tax credit under section 960; individuals may elect corporate rates to claim an indirect credit.

Threshold rules

- De minimis rule: If foreign base company and insurance income are less than 5% of gross income or less than \$1 million, subpart F does not apply.
- Full inclusion rule: If these items exceed 70% of gross income, all income is treated as subpart F.

High-tax exception: Subpart F income taxed at greater than 90% of the U.S. corporate rate may be excluded.

Subpart F income is limited to the CFC's earnings and profits (E&P) for the year, adjusted for prior deficits. Excess income may be carried forward and recaptured.

Recent changes under OBBBA

OBBBA revised inclusion rules include:

- Pro rata share is now based on the shareholder's ownership period, status and the CFC's qualification period, not just year-end ownership.
- Section 951B may trigger inclusions for foreign-controlled U.S. shareholders if foreign entities would have qualified as CFCs before the repeal of section 958(b)(4).



Compliance tip

Taxpayers should annually review related-party agreements and structures to assess subpart F exposure and evaluate applicable exceptions.

Base erosion and anti-abuse tax

Base erosion and anti-abuse tax (BEAT) is imposed on corporations making significant deductible payments to related foreign parties. The tax applies to U.S. corporations and foreign corporations earning effectively connected income (ECI) with average gross receipts of \$500 million (determined at the aggregate group level) and a base erosion percentage exceeding 3%.

The current BEAT rate is 10% and was scheduled to increase to 12.5% starting in 2026. OBBBA increased the rate to 10.5% permanently, starting in 2026.

BEAT generally cannot be reduced by FTCs or an applicable tax treaty. However, OBBBA preserves a taxpayer's ability to offset a BEAT liability using certain general business credits, such as R&D credits, by removing the scheduled expiration of these offsets after 2025.



Take action

Taxpayers potentially subject to BEAT may want to consider planning opportunities that can lower (or eliminate) their liability, such as:

1. Structuring into an agency relationship with a U.S. affiliate rather than having the U.S. affiliate function as an entrepreneur that subcontracts services to foreign affiliates: This eliminates the outbound deductible payment and shifts gross receipts to a foreign affiliate, which may allow the group to fall below the \$500 million threshold if the gross receipts are not ECI to the foreign affiliate.
2. Applying the BEAT services cost method exception: This allows amounts paid (or accrued) for certain types of low-margin services to be excluded from the base erosion payment definition, which may put the taxpayer below the 3% base erosion threshold for applying BEAT.
3. Utilizing the BEAT waiver election: This allows the taxpayer to reduce the amount of its base erosion tax benefits, which may put it below the 3% base erosion threshold for applying BEAT.

Foreign tax credit

Calculating the FTC involves numerous variables, including eligibility criteria, limitation rules, income and loss allocations, the impact of elections (or revocations), and the overall effect on a taxpayer's global ETR. A thorough understanding of these factors and how they interact is essential for making informed decisions and optimizing credit utilization.

In recent years, the U.S. Department of the Treasury and IRS have issued a series of regulatory updates and transition guidance

affecting FTC calculations. These include [technical corrections](#); [proposed regulations](#); and notices such as [2023-31](#), [2023-55](#) and [2023-80](#).

Collectively, these developments introduce new elections and limitations that may restrict taxpayers' ability to utilize excess FTCs—particularly in cases involving carryforwards, carryback, or changes in sourcing and expense allocation. Understanding these changes is critical for taxpayers seeking to preserve FTC benefits and manage their global ETR.

OBBA introduces additional, significant changes to the FTC regime, generally effective for tax years beginning after Dec. 31, 2025. Key updates include:

- Expense allocation relief: Interest and R&D expenses are no longer allocated to the section 951A basket, preserving more foreign-source income for FTC purposes.
- Increased FTC utilization: The deemed paid credit for NCTI—formerly known as GILTI—rises from 80% to 90%, potentially eliminating residual U.S. tax on high-taxed foreign income.
- New sourcing rule: Up to 50% of the income from inventory produced in the U.S. and sold abroad can be recharacterized as foreign-source for foreign tax credit purposes—provided a foreign office or fixed place of business materially contributes to generating that income.



Consider the following:

1. Taxpayers with significant pre-TCJA carryforward or post-TCJA carryback credits should carefully consider how their unused FTCs may be limited and which election(s) may be available to allow for their efficient utilization.
2. Taxpayers subject to the net investment income tax may benefit from the Christensen v. United States ruling by claiming an FTC against that tax, as the court recognized the U.S.-France income tax treaty provisions allowing FTCs.
3. Taxpayers should begin modeling OBBA changes now to assess their impact on credit utilization and global ETRs.

LEARN MORE



Taxpayers looking for additional opportunities to maximize their FTCs can review:

- [10 quick reminders for FTC](#)
- [Navigating the foreign tax credit under the One Big Beautiful Bill Act](#)

Tariffs

Tariffs are critical to international tax planning because they directly affect the cost of cross-border trade, influencing business strategies, supply chain decisions and overall profitability.

Often buried within the cost of goods sold (COGS), tariffs can significantly inflate operational costs, directly affecting profit margins and ETRs, particularly for businesses reliant on cross-border supply chains.

The volatile, unpredictable state of trade policy—marked by sporadic tariff announcements, legal challenges and retaliatory measures from trading partners—has amplified the role of tariffs in international tax planning, turning them from a routine consideration into a high-stakes, dynamic risk factor for multinational businesses.

This volatility underscores how tariffs can unpredictably increase the cost base, distort transfer pricing arrangements and complicate tax-efficient structuring, among others.

A company that proactively addresses tariffs may uncover hidden costs within COGS, identify mitigation opportunities, implement cost reduction strategies and ensure trade compliance aligns with tax strategies, fostering resilient long-term planning amid geopolitical uncertainties.



Explore the following questions [with your trade and tariff advisor](#):

1. From which countries do you import goods, materials, etc.?
2. Do you export any materials that were previously imported?
3. How much has your tariff spending increased since March 2025, and what impact has this had on profitability and competitiveness?
4. How confident are you with the tariff codes for your merchandise?
5. Have you explored any mitigation strategies? If so, which ones?

Dig deeper: [RSM's insights about tariffs](#)

Transfer pricing

Taxpayers should consider a variety of important transfer pricing issues before year-end to mitigate risk, as well as leverage tax planning opportunities afforded by effective and proactive planning.



Take action

1. Reevaluate existing transfer pricing to account for any changes in the business or in the relationships of the related parties that engage in controlled transactions. Changing existing transfer pricing policies may help prevent losses from being trapped in one jurisdiction while income accumulates in another, or it may provide other tax rate or cash repatriation planning opportunities.
2. Perform year-end transfer pricing true-ups and reconcile financial statements with relevant transfer pricing documentation requirements.
3. Consider transfer pricing in a broader, holistic review of the global business model, to ensure alignment of tax strategy and planning with the commercial objectives and needs of the company.
4. Review and address any applicable country-by-country reporting (CbCR) requirements.
5. Submit or renew advance pricing agreements in accordance with the more robust screening process introduced by the IRS last year. The demand for such agreements has continued to grow in recent years as multinational corporations seek greater certainty with respect to transfer pricing.

Pillar One and Pillar Two

The OECD's two-pillar global tax framework is designed to address tax avoidance, promote consistency in international tax rules and foster a more transparent global tax environment. After years of negotiation, implementation is now underway in many jurisdictions, although some key countries, including the United States, continue to evaluate their involvement.

Pillar One introduces a new approach to taxing MNEs, particularly those with significant consumer-facing activities. It consists of two components.

Amounts A and B

Amount A targets the largest and most profitable MNEs—those with annual revenues exceeding 20 billion euros and profit margins above 10%. It reallocates 25% of an MNE's "excess profit" (profit above the 10% threshold) to market jurisdictions where the MNE earns revenue, regardless of physical presence. This represents a shift in taxing rights from countries of production or development to countries of consumption, based on a formulaic approach.

Implementation of Amount A hinges on the ratification of a multilateral convention. The United States, home to many of the affected MNEs, plays a critical role in the plan's viability. As of Oct. 1, 2025, the convention had not met the required ratification thresholds to take effect.

Amount B aims to simplify and streamline the application of the arm's-length principle to baseline marketing and distribution activities, which particularly benefits low-capacity jurisdictions. Unlike Amount A, Amount B applies to a broader range of MNEs engaged in in-country baseline marketing and distribution activities, without a specific revenue threshold.

Pillar Two: Global minimum tax

Pillar Two, also known as the global anti-base erosion (GloBE) rules, establishes a global minimum tax framework designed to ensure large MNE groups pay a minimum ETR of 15% in each jurisdiction where they operate. The rules apply to MNEs with annual consolidated revenue of €750 million or more in at least two of the four preceding fiscal years, consistent with the threshold used for OECD's CbCR.

As of now, more than 50 jurisdictions have implemented Pillar Two legislation, with most rules effective for fiscal years beginning in 2024.

Key mechanisms

The framework includes three mechanisms that enable jurisdictions to collect top-up tax on low-taxed entities within an MNE group.

- **Qualified domestic minimum top-up tax (QDMTT):** A domestic minimum tax that allows a jurisdiction to collect top-up tax on low-taxed income with respect to entities located within that jurisdiction
- **Income inclusion rule (IIR):** Requires a parent entity in an implementing jurisdiction to pay top-up tax on the low-taxed income of its subsidiaries, to the extent not covered by a QDMTT
- **Undertaxed profits rule (UTPR):** A backstop rule that applies when neither QDMTT nor IIR captures the low-taxed income; jurisdictions applying the UTPR may deny deductions or impose equivalent tax on other group entities to ensure the top-up tax is collected

To calculate the top-up tax under the GloBE rules, an MNE group must determine the ETR for each jurisdiction by dividing the adjusted covered taxes by GloBE income.

GloBE income is based on financial accounting income, adjusted for specific items described in the GloBE rules. Adjusted covered taxes are generally equal to the current and deferred tax expense accrued in the financial statements of the ultimate parent entity (UPE), adjusted for certain items under the GloBE framework.

If the jurisdictional ETR is below the 15% minimum rate, a top-up tax percentage is calculated based on the difference between the 15% minimum rate and the jurisdictional ETR.

Before applying the tax, the jurisdiction may reduce the taxable amount by the substance-based income exclusion, which allows a deduction based on eligible payroll and tangible assets. The resulting top-up tax is then allocated and collected through one of the three mechanisms: QDMTT, IIR or UTPR, depending on which jurisdictions have implemented the rules.

Transitional relief: Safe harbors

To ease the compliance burden during initial implementation, the OECD consolidated commentary to the GloBE rules provides a transitional safe harbor based on CbCR data for fiscal years beginning on or before Dec. 31, 2026, but not including a fiscal year ending after June 30, 2028 (i.e., calendar years 2024–2026).

A jurisdiction's top-up tax is deemed to be zero for a fiscal year if any one of the following tests is met:

- De minimis test
 - Total revenue is less than 10 million euros and profit (loss) before income tax is less than 1 million euros in the jurisdiction, based on the qualified CbCR.
- Simplified ETR test
 - The jurisdictional ETR, calculated using income tax expense from qualified financial statements (adjusted for uncertain tax positions and noncovered tax), is equal to or exceeds 15% for fiscal years beginning in 2024, 16% for 2025 and 17% for 2026.
- Routine profits test
 - Profits before income tax (PBT) is equal to or less than the substance-based income exclusion amount for constituent entities resident in that jurisdiction under CbCR, as calculated under GloBE rules.

Qualified financial statements refer to the financials used to prepare the consolidated accounts of the UPE or the standalone financials of each constituent entity, provided they are prepared under an acceptable or authorized financial accounting standard. A qualified CbCR is a country-by-country report prepared using these qualified financial statements.



Take action

As jurisdictions continue to implement the Pillar Two rules, MNEs should proactively evaluate their organizational structure and data readiness, and model potential top-up tax exposures and compliance costs. For groups within the scope of the GloBE rules, it is critical to ensure the availability of a qualified CbCR, which is necessary to determine eligibility for transitional safe harbors.

Given that certain jurisdictions, including the U.S., have not yet adopted the GloBE rules, taxpayers should closely monitor legislative developments and administrative guidance, as these may significantly affect future tax obligations. MNEs subject to Pillar Two should not underestimate the significant data and compliance challenges anticipated under the new rules.

CFC look-through rule made permanent

OBBA amended section 954(c)(6)(C) to make this provision permanent. It had been set to expire at the end of 2025.

Under section 954(c)(6), dividends, interest, rents and royalties that a CFC receives from a related CFC are not treated as subpart F foreign personal holding company income if the income is attributable to income of the related CFC that is not subpart F or income that is effectively connected to a U.S. trade or business.

Foreign currency

Treasury and the IRS released final regulations under section 987, introducing major changes for U.S. taxpayers with qualified business units (QBUs) that use a functional currency other than the U.S. dollar. These rules, generally effective for tax years beginning after Dec. 31, 2024, significantly change how foreign currency gains and losses are calculated.

The regulations introduce a modified foreign exchange exposure pool (FEEP) method, new elections, and transition rules that vary based on taxpayer type and circumstances. These changes add complexity to 2025 tax compliance and require careful planning.

Beginning in 2025, taxpayers will be required to use the complex FEEP method for calculating foreign currency gains or losses. This method, while intended to provide a standardized approach, may require substantial resources to ensure compliance, particularly for businesses that engage in numerous foreign transactions.



Consider this:

1. Making a current rate election and annual recognition election can simplify the calculation and compliance burden, depending on a taxpayer's fact pattern.
2. Taxpayers should model the impact of section 987 changes to assess the potential tax and compliance costs.

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Taxpayers looking for additional opportunities to minimize their foreign currency exposure can review:

- [Section 987 proposed foreign currency regulations may impact QBUs](#)
- [IRS finalizes certain temporary foreign currency tax regulations](#)

Research and development: Section 174

With the enactment of OBBBA, taxpayers are once again permitted to fully expense domestic R&D expenditures, including software development costs, in the year incurred.

This marks a difference from the rules that had been in effect since 2022, which required all R&D costs to be capitalized under section 174. The new law reinstates the more favorable treatment of U.S.-based R&D and provides much-needed clarity and relief for domestic innovation investment.

However, it's important to note that foreign R&D expenditure remains subject to mandatory capitalization and 15-year amortization.

Taxpayers continue to face hardships associated with implementation (i.e., identifying R&D costs of foreign subsidiaries), and should consider that these changes may have other unanticipated international tax consequences.

While foreign R&D capitalization once had broader implications for international tax provisions, recent regulatory changes have narrowed that impact. For instance, R&D expenses are no longer included in the allocation and apportionment of deductions against FDDEI, helping to preserve the benefit of the FDDEI deduction regardless of the location of R&D activities.

Other income tax consequences could include changes to a taxpayer's subpart F inclusion, quarterly estimates and/or year-end provisions.



Take action:

Taxpayers should model the impact of section 174 changes to assess potential incremental tax and compliance costs. Depending on a taxpayer's fact pattern, these changes could produce widely different results.

Passive foreign investment company

OBBBA modified the constructive stock ownership attribution rules that apply to classify a foreign corporation as a CFC by reinstating section 958(b)(4) and enacting section 951B.

These changes may cause some U.S. investors in foreign corporations to become subject to the passive foreign investment company (PFIC) provisions with respect to their investment in a foreign corporation due to the loss of the foreign corporation's CFC status that resulted from an application of the constructive attribution rules.

U.S. persons who invest in a PFIC are generally subject to adverse tax consequences unless they make a qualified electing fund (QEF) election on a timely filed return for the first year of their holding period—creating what is known as a pedigreed QEF. If the PFIC is publicly traded, a mark-to-market (MTM) election may also be available.

U.S. shareholders that own 10% or more in a foreign corporation are generally protected from the PFIC tax regime under section 1297(d) during the time the foreign corporation is both a PFIC and a CFC.



Consider this: U.S. shareholders in foreign corporations that are no longer classified as CFCs due to the return of section 958(b)(4) may become subject to the PFIC regime starting in 2026 and may want to consider making a QEF or MTM election to avoid the adverse tax consequences of the PFIC tax regime.

Business interest expense: Section 163(j)

OBCCA permanently [reinstates the use of earnings before interest, taxes, depreciation and amortization \(EBITDA\)](#) for calculating adjusted taxable income (ATI) under the section 163(j) interest limitation rules. This is a favorable change for taxpayers, reversing the prior law that had shifted to an EBIT-based approach beginning in 2022. The return to EBITDA generally results in a higher ATI base, allowing for a larger deduction of interest expense.

At the same time, OBCCA excludes GILTI inclusions, section 78 gross-up and other related items from the ATI calculation. As a result, taxpayers can no longer purely rely on those to boost ATI under CFC group election.

However, taxpayers may still make such elections to aggregate ATI and interest expense across CFCs. This aggregation continues to offer flexibility for multinational groups managing interest limitations.

In a separate but related change, interest expense is no longer required to be allocated or apportioned for purposes of calculating the GILTI-related FTC limitation or DEI under FDDEI rules. This update reduces the impact of interest expenses on the ability to utilize FTCs and preserve the FDII deduction.

Impact of the corporate alternative minimum tax on foreign-owned U.S. companies

With the passage of the Inflation Reduction Act of 2022, foreign-owned U.S. companies need to analyze whether the 15% [corporate alternative minimum tax \(CAMT\)](#) applies in tax years beginning after Dec. 31, 2022.

In general, the CAMT provision imposes a minimum tax equal to the excess of 15% of a C corporation's adjusted financial statement income (AFSI) over its CAMT FTC. Applicability involves a three-year look-back period to determine whether a C corporation had average annual AFSI greater than \$1 billion, and in the case of [foreign-owned U.S. companies](#), whether the U.S. subgroup had AFSI of at least \$100 million. Once a corporation is an applicable corporation, it remains an applicable corporation unless an exception applies.



Taxpayers should ask the following questions:

1. Who is subject to the CAMT rules?
2. Are foreign-owned U.S. companies subject to special rules and provisions?
3. Will a company's ETR be affected?
4. Is the CAMT considered a qualified income inclusion rule tax under Pillar Two?

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Treasury issues long-anticipated proposed regulations on CAMT

Anti-hybrid rules

The Anti-Tax Avoidance Directive II (ATAD II) in Europe (effective Jan. 1, 2020) introduced several anti-hybrid rules. If these apply, payments among related parties may cease to be deductible. The EU continues to evaluate and expand ATAD II reporting.

Businesses should review existing global transaction structures to avoid negative tax impacts; new structures should take into account the new rules.

In addition to the EU, several other jurisdictions have implemented anti-hybrid rules. Generally, these rules disallow deductions for payments made to related parties when the payments are not taxed in the recipient's country because of the hybridity of an instrument or entity.

Taxpayers may be subject to the anti-hybrid regime if their business structure contains:

- Hybrid entities that are taxed as corporations locally but treated as fiscally transparent for U.S. tax purposes
- Hybrid financial instruments or payments that are treated as debt in one country and as equity in another country
- Hybrid entity payments (e.g., loans and licensing agreements)
- An entity in which a foreign jurisdiction views a U.S. entity as a hybrid entity

In 2025, several countries moved forward in their implementation of anti-hybrid rules. Germany's Ministry of Finance published final guidance with respect to its anti-hybrid rules, clarifying the rules that apply to U.S. MNEs.

In Italy, the deadline for preparing documentation to receive penalty protection for hybrid mismatch arrangements for the 2020–2024 tax years was extended to Oct. 31, 2025.

Meanwhile, South Africa withdrew its proposed anti-avoidance rules for hybrid equity instruments.

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- [European anti-hybrid laws target common U.S. holding structures](#)
- [The potential impact of Australia's imported hybrid mismatch rules](#)
- [The Netherlands: Impact of ATAD2 to U.S. multinationals](#)

Treaty analysis

U.S.–Switzerland tax treaty

In December 2024, the United States and Swiss Competent Authorities entered into a Competent Authority Arrangement (CAA) identifying the types of pension plans and individual retirement savings plans that may qualify for the dividend exemption under Article 10(3) of the U.S.–Swiss tax treaty. The text of the CAA was released on March 21, 2025, in [announcement 2025–8](#). It is effective retroactively to dividends paid on or after January 1, 2020.

Under Article 10(3) of the U.S.–Swiss tax treaty, dividends paid by a company resident in one of the contracting states to a beneficial owner resident in the other contracting state may be exempt from withholding tax if the beneficial owner of the dividends is a pension or individual retirement savings plan that the competent authorities agree generally corresponds to a pension or individual retirement savings plan in the other contracting state.

U.S. plans identified in the CAA include, but are not limited to, the following:

- Section 401(k) plans
- Section 403(a) or (b) plans
- IRAs (including Roth IRAs)
- Group trusts described in Rev. Rul. 81–100
- Thrift savings funds under section 7701(j)

Swiss plans identified in the CAA include retirement arrangements covered by the following:

- The Federal Act on Vested Benefits of Dec. 17, 1993
- Paragraphs 6 and 7 of Article 89a of the Swiss Civil Code of Dec. 10, 1907
- Paragraph 1 of Article 331 of the Federal Act on the Amendment of the Swiss Civil Code of March 30, 1911 Group trusts described in Rev. Rul. 81–100

A U.S. or Swiss pension arrangement or individual retirement savings plan that is not mentioned in the CAA can request a determination of eligibility for treaty benefits by submitting a case to the Competent Authority through the mutual agreement procedures (MAPs).

The CAA also outlines the process for U.S. group trusts to claim a refund from the Swiss tax authorities for withholding taxes previously imposed on qualifying dividends.

U.S.–Denmark tax treaty

On March 25, 2025, the U.S. and Danish Competent Authorities entered into a similar CAA with respect to applying the dividend exemption in Article 10(3)(c) of the U.S.–Denmark treaty to pension funds resident in the U.S. or Denmark. [The U.S.–Denmark CAA](#) was released on June 16, 2025, in announcement 2025–16. It applies retroactively to dividends paid on or after Feb. 1, 2008.

Under Article 10(3)(c) of the U.S.–Denmark treaty, dividends paid by a company resident in a contracting state are exempt from withholding tax if the beneficial owner of the dividends is a "pension fund" that is a resident of the other contracting state which qualifies for treaty benefits under Article 22(2)(e).

The Competent Authorities agreed in the CAA that the term "pension funds" in Article 10(3)(c) which qualify for treaty benefits under Article 22(2)(e) specifically includes certain types of funds if more than 50% of the beneficiaries, members or participants are individuals who are resident in the U.S. or Denmark.

U.S. funds identified in the CAA as "pension funds" that may qualify for treaty benefits under Article 22(2)(e) include, but are not limited to, the following:

- Section 401(k) plans
- Section 403(a) and (b) plans

- IRAs (including Roth IRAs)
- Section 408(p) simple retirement accounts
- Group trusts

Danish funds identified in the CAA as “pension funds” that may qualify for treaty benefits under Article 22(2)(e) include, but are not limited to, the following:

- Pension institutions liable to tax under Section 1(2) of the Danish Pension Investment Return Tax Act Section 403(a) and (b) plans
- Account holding investment funds under section 2 in the Account Holding Investment Funds Tax Act (provided it is operated exclusively or almost exclusively to earn income for pension institutions liable to tax under Section 1(2) of the Danish Pension Investment Return Tax Act)

The CAA allows a pension arrangement not listed in the CAA to present a case to the competent authority through MAP for a determination on eligibility.

Value-added tax

Globally, value-added tax (VAT) rules are constantly changing and evolving to keep up with economic and market trends. Tax authorities are working toward maximizing VAT compliance and VAT collection by introducing new rules and schemes in areas not previously captured by the traditional VAT framework and leveraging technology to enhance efficiency and visibility.

Below are areas taxpayers with global activities will want to keep in view:

European Union’s VAT in the Digital Age legislative package

The EU’s VAT in the Digital Age (ViDA)—effective April 14, 2025—is an initiative aimed at modernizing and adapting the VAT system to the digital economy, reducing the VAT gap and simplifying compliance for cross-border trade in the EU. The package will introduce changes over the course of 10 years and includes three main pillars:

1. E-invoicing and digital reporting

Member states now have the freedom to implement mandatory e-invoicing domestically leading up to the EU-wide mandate of 2030, and many have already announced rollout plans. For example, Belgium, Croatia, France, Germany, Latvia and Poland have announced mandatory rollouts that fall between 2026 through 2028.

In addition to e-invoicing, digital reporting requirements will replace certain EU reports, namely recapitulative statements, such as the EU sales listings to report intra-EU supplies. We are already seeing member states rapidly coming forward with e-invoicing mandates.

2. Platform economy rules

Online marketplace rules, where the marketplace operator is held responsible for VAT obligations on behalf of its users, will expand to include ride-sharing services and short-term rental services.

3. Single VAT registration

Various changes will be made to expand the One Stop Shop regime—a regime allowing taxpayers to fulfill their VAT obligations for all EU member states via a single registration. Domestic reverse charge treatment will be mandatory for all supplies made by a nonresident and nonregistered supplier to a domestic, VAT-registered buyer in the EU.

In line with ViDA goals, the 2028 EU customs reform provisions also contain several proposals that will affect VAT procedures, particularly for import VAT. Changes in the pipeline include the shift in VAT liability on imported low-value goods from the customer to the importer, and the potential removal of the 150-euro low-value goods threshold, affecting the Import One Stop Shop regime.

VAT on digital services and e-commerce

Tax authorities globally are pushing out new rules or amending existing rules to capture the digital services space within their VAT net, especially those provided by nonresident suppliers (i.e., supplies with no establishments or presence in the customer country).

Over the last five years, at least 31 jurisdictions have made moves to capture nonresident suppliers in their VAT net, and there are many more countries following suit. Additionally, most jurisdictions do not have registration thresholds for foreign suppliers, making them taxable from their first local supply.

We are close to a point where most, if not all, jurisdictions have some form of rule in place to hold foreign suppliers liable for VAT on sales made to local customers.

Tax authorities are also setting up procedures to target low-value goods imported from foreign e-commerce suppliers by holding e-commerce marketplace operators liable for VAT at the point of sale (i.e., checkout).

These efforts are not solely to increase VAT revenue, but also to reduce administrative burdens at customs borders, and to curb fraud and VAT avoidance with the supply of low-value goods.

Electronic invoicing

Beyond the EU, there is a global shift toward e-invoicing, with countries in every region rolling out timelines for e-invoicing mandates. Most rollout plans start with mandates on domestic taxpayers and domestic transactions, but eventually most timelines end with mandates encapsulating all taxpayers and transactions.

There is no doubt e-invoicing will factor heavily in business operations and reporting—it is simply a matter of when.



Consider taking the following actions in your VAT planning:

ViDA

1. Assess your EU VAT footprint
2. Review business processes, data governance and technological infrastructure
3. Monitor regulatory developments in EU member states where the taxpayer is active



VAT on digital services and e-commerce

1. Review and monitor your global digital service supplies to identify current and upcoming VAT liabilities/obligations
2. Those conducting business via a marketplace platform should review the terms and conditions and contractual agreement set forth by the platform operator to confirm the party responsible for the collection and reporting of VAT/GST
3. Continually monitor VAT developments on digital services and e-commerce globally to stay up to date on upcoming rules



E-invoicing

1. Understand where e-invoicing is mandatory and the timeline for countries to come onstream
2. Assess invoicing data quality and internal systems to ensure they meet the data requirements
3. Establish new processes and technology to enable timely compliance
4. Consider outsourcing the task to a third party

LEARN MORE

- ViDA reform addresses digital trade and cross-border compliance
- Navigating value-added tax implications for e-commerce businesses
- The future of e-invoicing

New section 951B: Foreign-controlled U.S. shareholders

OBGBA restores section 958(b)(4), which generally prevents downward attribution of stock owned by foreign persons to U.S. persons for purposes of determining whether a foreign corporation is a CFC. However, to address potential avoidance concerns, the legislation also introduces new section 951B, which selectively re-enables downward attribution in certain cases.

Under section 951B, certain “foreign-controlled U.S. shareholders” may be required to include subpart F and NCTI from foreign corporations that are treated as CFCs due to downward attribution from a common foreign parent. Essentially, section 951B will apply downward attribution to U.S. subsidiaries that are more than 50% owned by a foreign parent that also holds a controlling interest in a foreign corporation.

However, “foreign-controlled U.S. shareholders” will only have a subpart F or NCTI inclusion based on a direct or indirect interest of the foreign corporation under section 951(a).

Additionally, a U.S. shareholder that owns 10% or more in a foreign corporation directly or indirectly but that is not a “foreign-controlled U.S. shareholder” generally will not take downward attribution into account in determining whether the foreign corporation is a CFC.



Take action: U.S. shareholders that hold shares in a CFC only if downward attribution is taken into account should evaluate whether they fall within the scope of section 951B. Early modeling and coordination with international tax teams will be critical to evaluate the impact and identify planning opportunities.

Global information reporting

New data requirements and thresholds

OBGBA includes several important changes in information reporting requirements that could affect companies—particularly banks, brokers and other financial institutions—for the upcoming year.

These measures will significantly affect the data required to comply with information reporting and withholding obligations. Businesses should consider these requirements as they develop budgets for systems and compliance programs next year.

More specifically, the provisions of OBGBA:

- Raise the reporting threshold for certain Forms 1099 from \$600 to \$2,000
- Exempt from reporting qualified tips and overtime paid to nonemployees in certain industries
- Reinstate the higher 1099-K reporting threshold from \$600 with no minimum number of transactions back to \$20,000 and 200 or more transactions
- Require reporting of interest on certain auto loans
- Introduce a new 1% excise tax on certain remittances to foreign persons

Besides OBBBA, changes in other U.S. and global reporting requirements will also be relevant in 2026 and should also be taken into consideration when developing budgets and compliance programs.

These changes may result in changes to volumes of reportable data with different naming conventions across multiple systems, which businesses should consider as they develop budgets for changes to systems and compliance plans next year.

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▪ [Top reporting and withholding actions to take before year-end](#)

Increased thresholds for 1099 reporting for payments to nonemployees

Effective January 2026, OBBBA increases the threshold for 1099 reporting of certain payments as required under section 6041 for U.S. persons that are nonemployees from \$600 to \$2,000.

OBBBA also introduces annual indexing for inflation starting with tax year 2027 to keep pace with economic changes. The change in the threshold amount applies to payments for services but does not apply to rent and other miscellaneous payments reportable on 1099 forms.



Take action Companies will need to update systems and procedures to track and apply new reporting thresholds. They are expected to have decreased volumes of information returns as a result of these changes.

State guidance is pending, and state thresholds may be lower, particularly for states that do not participate in the combined federal state filing program.

New excise tax on remittances

OBBBA introduced new section 4475, which imposes a 1% excise tax on remittance transfers from a sender in the U.S. to a person located in a foreign country through a remittance transfer provider.

The tax applies to transfers made after Dec. 31, 2025, and represents a significant policy development aimed at improving tax compliance and oversight in the remittance sector, while balancing concerns about consumer access and financial inclusion.

The tax has broad implications for the financial services industry, as well as individuals and businesses involved in international money transfers. It applies to remittance transfers funded by cash, money orders, cashier's checks or other similar physical instruments.

However, Congress specifically excluded other transfers, so it does not apply to transfers where funds are withdrawn from accounts held at financial institutions in the U.S. that are subject to the Bank Secrecy Act. Additionally, the tax does not apply to remittance transfers funded by a debit or credit card that was issued in the U.S.

It is anticipated that the quarterly remittance of the excise tax liability will be reported on and paid with IRS Form 720. To address potential avoidance, anti-conduit rules under section 7701(l) apply, allowing for the recharacterization of multiple-party financing transactions as a transaction directly between two or more parties.



Take action

Remittance transfer providers should prepare to begin collecting and remitting the new 1% excise tax in 2026 by doing the following:

1. Flagging reportable transfers
2. Coding transfers as exempt where appropriate
3. Documenting the rationale for their exclusion
4. Maintaining adequate records of transfers to substantiate which transfers are subject to the excise tax

Remittance transfer providers should also exercise caution because secondary liability will apply if tax is not collected from the sender at the time of the transfer.

To minimize potential exposure and liability for the tax, companies should consider implementing controls that prohibit transfers without collection of the tax and should consider requiring senders to use debit or credit cards instead of cash or other physical instruments to originate transfers.

Filing Information Returns Electronically system to be decommissioned

The IRS announced plans to decommission the Filing Information Returns Electronically (FIRE) system in December 2026; FIRE will be replaced with the Information Returns Intake System (IRIS) starting in January 2027. FIRE and IRIS will run concurrently in 2026 for information returns for tax year 2025.

This is a significant development for most companies filing information returns, such as Forms 1099, since businesses must obtain new transmitter control codes (TCC) since IRIS uses an .xml format that is more detailed than FIRE's legacy format.

IRIS provides real-time feedback on file errors and submission status and supports more complex data validation than FIRE, which ensures a higher level of data integrity. It also allows for clearer separation of data fields.



Take action:

1. Confirm readiness to file information returns electronically via the new IRIS system (for 1099s only) in 2027
2. Obtain a valid TCC as needed by completing an IR application for TCC (formerly Form 4419, Application for Filing Information Returns Electronically) to ensure you can transmit returns at least 45 days before the due date of the return; the TCC is a five-digit code that identifies the business transmitting an electronic return

Higher 1099-K reporting thresholds reinstated

As online sales have increased and the gig economy and payment platforms have evolved, the tax reporting requirements for these payments have also become more complex. Form 1099-K is used to report payment card transactions and payments from third-party settlement organizations.

As such, taxpayers who sell items online, drive for a ride-sharing service, or own a business that accepts payments via credit or debit cards likely have a Form 1099-K filing obligation and will be affected by anticipated changes in the rules.

The American Rescue Plan Act of 2021 lowered the 1099-K reporting threshold for third-party settlement organizations, such as payment platforms, from \$20,000 and more than 200 transactions to over \$600 with no minimum number of transactions.

Legislation introduced last year delayed implementation of the \$600 threshold, but rules under OBBBA have reinstated the \$20,000 and 200 transaction thresholds. We await further guidance from states that may opt not to follow federal guidance.



Take action

Companies may anticipate filing fewer IRS 1099-Ks, but should evaluate the plausibility of continuing to report amounts based on prior thresholds this year, versus the cost of modifying systems and procedures to flag reportable amounts and track new reporting thresholds for next year. Plan and update budgets and systems as appropriate.

Likewise, withholding agents must collect taxpayer identification numbers (TINs) or W-9 forms to ensure they have the information required to file 1099-K forms. Backup withholding at a rate of 24% may apply to recipients with missing or incorrect TINs. As such, companies should review and enhance their TIN matching processes now to avoid potential exposure for under withholding resulting from name/TIN mismatches.

The Joint Committee on Taxation estimates that the change in the 1099-K reporting threshold, which aims to better track income for the gig economy, will raise \$8.4 billion over a 10-year period. Some states have already reduced state-equivalent Form 1099-K reporting thresholds to match the federal threshold, which has proved burdensome for taxpayers to track.

New reporting of interest on auto loans

Under OBBBA, starting with tax year 2025, lenders providing qualified auto loans must begin reporting interest payments received from borrowers of \$600 or more within a calendar year. This reporting requirement applies to borrowers who are individuals. It does not apply to auto loans made to businesses.

In addition to reporting this income to the IRS, lenders must also furnish a written statement to the borrower by Jan. 31 of the year following the interest payment, which in turn will allow the borrower to accurately claim a deduction on their tax return.

IRIS provides real-time feedback on file errors and submission status and supports more complex data validation than FIRE, which ensures a higher level of data integrity. It also allows for clearer separation of data fields.

Under OBBBA, reporting of loan interest payments by lenders and financial institutions only applies to new vehicle loans where the taxpayer is the first owner and the following requirements have been met:

- The loan must be the first lien on the vehicle
- The vehicle must be for personal use only
- The vehicle must have its final assembly in the U.S., which can be determined from the vehicle identification number (VIN)
- The loan must have originated in 2025 or after
- Interest payments \$600 or more must be received from an individual, not a business

The information to be reported to the IRS and included on the statement furnished to the borrower must include the following:

- Name and address of the individual who paid the interest
- Total amount of interest received in a calendar year
- The loan's origination date
- Outstanding principal on the loan at the beginning of the year
- The year, make and model of the vehicle, and its VIN

By providing this information to the IRS and the borrower, it ensures that the IRS can verify the information provided by taxpayers to claim the new deduction allowed under OBBBA.



Take action

Companies should begin modifying their systems to ensure that they properly flag qualified auto loans for new vehicles with a first lien. In addition, companies will need to identify those vehicles being purchased for personal use only.

Companies should also have a system in place to confirm the destination of the vehicle's final assembly as any vehicles assembled outside the United States will not be subject to reporting. These are all fields that companies have not previously been required to flag, track or map for tax reporting purposes, so systems should be updated accordingly.

Digital asset reporting and enforcement

The United States has taken several important steps over the past year to clarify and enforce requirements for reporting transactions involving digital assets, including the enactment this year of the following:

- The Genius Act to regulate the issuance of stablecoins
- The Clarity Act, which clarifies when digital assets should be treated as securities versus commodities
- The Anti-Central Bank Digital Currency (CBDC) Act, whose aim was to protect financial privacy and prevent government overreach by prohibiting the launch of a U.S. central bank digital currency without congressional approval

These rules aim to increase compliance with and strengthen enforcement of regulations on reporting income in connection with transactions involving digital assets, including cryptocurrency, nonfungible tokens (NFTs) and stablecoins.



Consider the following when managing risk and exposure in 2026:

- Brokers will be required to begin reporting gross proceeds from sales or exchanges of digital assets on IRS Form 1099-DA to recipients by Jan. 31, 2026, and to the IRS by Feb. 28, 2026, if filed on paper, or by March 31, 2026, if filed electronically. After issuing several drafts of Form 1099-DA, the IRS published a final version of the form this year that reflects requirements from the final Treasury regulations for custodial brokers of digital assets and provides the transitional relief described in IRS Notices 2024-56 and 2024-57 and in Rev. Proc. 2024-28.
- Transitional relief for brokers subject to 1099-DA reporting will apply for forms due in 2026 for calendar year 2025. Additionally, under Notice 2024-56, brokers will not be penalized for errors in 2025 reporting if they make a good-faith effort to comply with their 1099-DA filing obligations, and to backup withhold when required.

Notice 2024-57 also granted transitional relief for some brokers. Brokers will not be required to file Form 1099-DA for certain transactions, including staking, lending and short sales, notional principal contracts, and wrapping/unwrapping.

The final Treasury regulations require brokers to file information returns and furnish payee statements reporting gross proceeds and the adjusted basis on dispositions of digital assets, such as cryptocurrency and NFTs, in certain sale or exchange transactions that take place on or after Jan. 1, 2025.

An aggregate reporting method is optional for certain sales of stablecoins and NFTs over a de minimis threshold. Noncustodial brokers are currently not required to report under the final regulations, but additional guidance is expected.

Certain brokers must also report the cost basis for transactions occurring on or after Jan. 1, 2026, on Form 1099-DA (due in 2027). Real estate reporting persons must file information returns and furnish payee statements with respect to purchasers who use digital assets to acquire real estate on or after that date.



Consider the following when managing risk and exposure in 2026:

Since brokers are required to collect and report information for transactions occurring on or after Jan. 1, 2025, with cost basis reporting beginning in 2026 (for returns due 2027), custodial brokers of digital assets should confirm now that their existing systems have the functionality to capture data that will be reportable on Form 1099-DA and to calculate and track cost basis, which will be reportable starting next year as required under the regulations.

Organizations should also evaluate their structures to identify any potential "brokers," as defined under the regulations, that may be required to comply with the new reporting requirements. Consider performing a readiness assessment to identify any gaps in systems and processes for capturing 1099-DA reportable data.

Common Reporting Standard and final Crypto-Asset Reporting Framework

While custodial brokers of digital assets that are considered U.S. payors must be concerned about 1099-DA reporting going forward, non-U.S. financial institutions in countries that have adopted the OECD's Common Reporting Standard (CRS) should closely watch for new developments for CRS reporting of transactions involving digital assets. These entities should evaluate their structures to identify entities that may have new CRS reporting obligations.

The OECD published the finalized International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework (CARF) along with amendments to the CRS. CARF is the OECD's new global tax transparency framework, which provides for the automatic exchange of tax information on crypto-asset transactions in a standardized manner.

While CARF contains long-awaited guidance, many jurisdictions are still working to publish local guidance for implementing these rules. Additionally, with the U.S. publishing final regulations on digital asset reporting and other jurisdictions following suit, the OECD continues to evaluate the ever-changing landscape for the global reporting framework. This ongoing guidance has been helpful, but variances and a lack of clarity in local requirements have led to uncertainties for companies, which have resulted in challenges for implementing the rules.

While crypto-assets have not historically been in scope for the CRS, many banks, exchanges and other financial market participants offering products or services in connection with digital assets could be significantly affected by CARF.

In 2025, the OECD released a list of updated frequently asked questions addressing certain due diligence procedures under CARF, clarified which crypto-assets qualify as financial assets under CARF, and provided updated guidance on when self-certifications are considered valid under CARF.

As of October 2025, 63 jurisdictions have committed to implementing CARF, while 48 have signed agreements or passed local legislation implementing CARF. More jurisdictions are expected to implement CARF in 2026.

It is not clear at this point if the United States will follow through with its commitment to implement CARF by 2027; the Trump administration has indicated it is unlikely to implement it by 2027.



Take action

Companies in countries that participate in the CRS and sell or exchange crypto-assets should evaluate their structure, products, systems and controls now to identify and address any gaps in their ability to comply with the proposed rules under the CARF and the CRS amendments.

In the meantime, financial institutions that include brokers who participate in transactions involving crypto-assets and who are residents of jurisdictions participating in the CRS should have a plan for monitoring and complying with requirements under the CARF going forward.

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- [DAC8 and CARF present extensive reporting challenges for crypto platforms](#)

Nonresident aliens and Foreign Account Tax Compliance Act exams

Despite its limited resources, the Large Business and International Division of the IRS has continued to issue notices and initiate examinations of information returns after launching several compliance campaigns focused on enforcement of withholding, deposit and reporting requirements for payments made to U.S. nonresident aliens that are expected to continue. The campaigns are being enforced through a variety of mechanisms, including examinations and penalty assessments.

The IRS also announced the launch of a campaign focused on identifying U.S. and foreign financial institutions that have failed to file Foreign Account Tax Compliance Act (FATCA) reports.

Examinations have already begun, which means that companies have a very narrow window of opportunity to become compliant and should file any missing returns as soon as possible. Additionally, we anticipate increased enforcement of CRS requirements, as several jurisdictions have introduced new penalty regimes this year.



Take action

Before year-end, companies should spend time identifying and remediating any gaps in processes, submitting any unfiled returns, and implementing policies and procedures for ongoing compliance with these rules.

The IRS has indicated that it will accept voluntary disclosures regarding noncompliance before institutions receive notices. However, penalty abatement will not be an option once a notice has been received, so act now.

FATCA and CRS status of entities in a group

To the extent that companies have acquired or created new legal entities, restructured their group this year, moved into jurisdictions that have adopted the CRS, or entered into an intergovernmental agreement under FATCA, they should plan to reevaluate or confirm the FATCA and CRS status of legal entities in the group.

Entities that accept deposits, have custody of assets, perform investment activities, or serve as captive insurance companies or certain holding companies may be considered foreign financial institutions and may have FATCA and CRS reporting obligations.

Collection of new W-8s

To manage withholding and due diligence requirements, companies should begin requesting new or updated W-8 forms and CRS self-certifications from their customers, shareholders or investors opening new accounts, or from those with forms that will expire after Dec. 31, 2025.

Note, however, that valid, unexpired W-8 forms can still be relied on and do not need to be replaced until they expire (generally within three years), unless there is a change in circumstances that mandates the collection of a new form.

Companies should continue to monitor changes and developments with respect to tax withholding certificates and should update fields in their onboarding systems to address any changes in the forms now.

Beneficial ownership information reporting

Regulations implementing rules under the U.S. Corporate Transparency Act require certain companies organized or doing business in the U.S. to disclose information about the underlying beneficial owners and organizers of those entities to the U.S. Financial Crimes Enforcement Network (FinCEN).

Treasury and FinCEN recently announced that U.S. companies are no longer required to file the reports. However, non-U.S. companies remain subject to this reporting obligation. Those that fail to do so may be subject to civil penalties of up to \$500 per day or criminal penalties of up to \$10,000 and imprisonment if willful intent is found for failing to comply with the rules.



Take action

Many companies are affected by these rules, which are beyond the scope of services currently offered by RSM. Companies should consult with legal counsel now to determine their beneficial ownership information (BOI) reporting obligations, evaluate eligibility for exceptions, identify reportable owners, and remediate any gaps in their systems and procedures to ensure compliance.



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