World Tax News: OECD releases guidance for implementing minimum tax and more........

Editorial Team

World Tax News provides a weekly snippet of tax news from around the globe. Here is a glimpse of the tax happening in the world this week.

1. US proposes high tax rates for Billionaires and Shares buyback

On 7th February 2023, US President Joe Biden recommended imposing higher taxes on Billionaires. In his State of the Union address, he proposed to improve the tax system by recommending higher taxes on billionaires. A minimum 15% tax rate on Billionaires is proposed to create a more equitable and fair economy.

Joe Biden said that as per America's imbalanced tax code, many millionaires and billionaires end up paying lower taxes than middle-class workers. In 2021 alone, America's more than 700 billionaires saw their wealth increase by $1 Trillion. Yet, in a typical year, billionaires would pay just 8% tax of their total realized and unrealized income, and a firefighter or teacher pay double that tax rate. Biden said this minimum tax would ensure that the wealthiest Americans no longer pay a tax lower than teachers and firefighters.

In addition, he also proposed to quadruple the existing taxes on corporate buybacks. This move is designed to steer companies towards making more responsible, long-term investments instead of merely focusing on short-term gains. The proposed quadrupling of the tax is expected to bring about a significant shift in corporate behaviour and promote sustainable growth for the benefit of both the companies and society as a whole.

Source:

Remarks by President Biden

2. OECD releases technical guidance for implementation of the global minimum tax

The OECD/G20 Inclusive Framework on BEPS has released technical guidance to assist governments with implementing the landmark reform to the international tax system, ensuring that multinational enterprises (MNEs) will be subject to a 15% effective minimum tax rate.

The guidance addresses a wide range of issues that Inclusive Framework members have identified as the most needing immediate clarification and simplification for stakeholders. The guidance will be incorporated into a revised version of the Commentary that will be released later this year (and replaces the original version of the Commentary issued in March 2022).

Download guidance

3. El Salvador releases guidelines on new "Ad Valorem Tax" levied on Insurance Companies (IACS)

A Legislative Decree (No. 520) to introduce an ad valorem tax on insurance policies that will apply to insurance companies was passed by El Salvador's legislative assembly last year.

According to Article 41 of the fire department law, the taxable event for the ad valorem tax is the entry into a contract for any insurance sold in El Salvador. The extension, renewal, or modification of such an insurance policy is also taxable. This tax is also known as the Impuesto Ad Valorem Compañías de Seguros (IACS).

Now, the Ministry of Finance in El Salvador has released guidance on the new ad valorem tax, and the key points of this guidance are as follows:

(a) Policies covered

It will apply to all kinds of insurance policies sold in El Salvador and any changes made to them, such as renewals, modifications, or extensions. This includes policies like life insurance, accident and health insurance, car insurance, home insurance, property damage insurance and more.

(b) Policies Excluded

Some insurance policies are exempt from this tax, including insurance related to banking, non-banking credits (loans), and reinsurance.

(c) Tax mechanism

The insurance companies with whom the insurance policy is contracted, extended, renewed, or modified are the taxpayers. The IACS tax rate is 5% of the taxable base, and the premium paid for the respective policy will be considered as the tax base, whether paid in full or in instalments.

(d) Payment of Taxes

Insurance companies are required to pay the IACS for each monthly tax period, and the returns and payment must be made within 10 business days after the end of the tax period. The IACS expenses incurred and paid during a fiscal year can be claimed as a deductible expense for income tax purposes.

Source:

Orientation Guide for the application of the Ad-Valorem Tax

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