

US budget proposal to attack overseas tax breaks

<https://www.taxresearch.org.uk/Blog/2010/02/03/us-budget-proposal-to-attack-overseas-tax-breaks>

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[FT.com / UK - US budget proposal to attack overseas tax breaks.](#)

The FT noted yesterday (and I was too busy to note it):

The Obama administration yesterday unveiled plans for a fresh assault on international tax avoidance that officials say will help reduce the deficit from a record \$1,556bn this year.

Under the plan, US-based multinationals that transfer brands and patents to foreign affiliates that pay little tax overseas would pay a surcharge on the excess returns on those assets.

The message is clear: Obama is going for tax compliance. Tax compliance is seeking to pay the right amount of tax (but no more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes.

In the process Obama is saying that he is not recognising the property rights established by some states, and rightly so I am afraid. When many secrecy jurisdictions have been, for all practical purposes, been captured by the financial services sector as agents for their services then Obama is right to say he's going to tax the substance of the transactions and ignore the form in which they are structured.