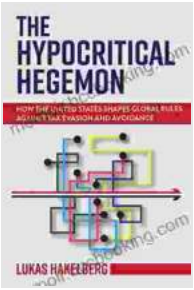
Unveiling the Global Tax Enigma: How the United States Shapes Rules Against Evasion and Avoidance

Tax evasion and avoidance are significant global challenges, posing threats to economic stability and equity. The United States, as a leading economic and financial power, plays a pivotal role in shaping international tax rules and combating these illicit practices.

This article delves into the book "How The United States Shapes Global Rules Against Tax Evasion And Avoidance," providing an in-depth analysis of the US's influence and the evolution of global tax standards.



The Hypocritical Hegemon: How the United States Shapes Global Rules against Tax Evasion and Avoidance (Cornell Studies in Money) by Anne Janzer

4.4 out of 5

Language	: English
File size	: 2036 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
X-Ray	: Enabled
Word Wise	: Enabled
Print length	: 203 pages

FREE DOWNLOAD E-BOOK

The Genesis of US Involvement

The United States' involvement in global tax matters dates back to the early 20th century. In the wake of World War I, international tax conflicts emerged, prompting the League of Nations to initiate efforts towards tax harmonization.

The US initially showed reluctance to engage, prioritizing its domestic tax policies. However, the growing complexity of global trade and financial transactions necessitated a shift in approach.

Emergence of International Tax Standards

In the post-World War II era, the United States played a leading role in establishing international tax standards through organizations like the United Nations and the Organization for Economic Co-operation and Development (OECD).

The OECD's Model Tax Convention, adopted in 1963, provided a framework for bilateral tax treaties, addressing issues such as withholding taxes, transfer pricing, and exchange of information.

The Fight Against Tax Havens

Tax evasion and avoidance can proliferate through the use of tax havens—jurisdictions with low or no taxes and limited transparency. To combat this, the US has pursued various initiatives.

The Foreign Account Tax Compliance Act (FATCA),enacted in 2010, requires foreign financial institutions to report the accounts of US citizens or residents who hold more than a certain threshold.

The Intergovernmental Agreement (IGA) program enables the US to exchange tax information with partner countries on an automatic and standardized basis.

Evolution of Anti-Avoidance Measures

Beyond tax havens, the US has focused on developing anti-avoidance measures to prevent multinational corporations from artificially shifting profits to low-tax jurisdictions.

Section 965 of the Internal Revenue Code targets earnings stripping, a technique where companies shift debt to related entities in low-tax jurisdictions to reduce their US tax liability.

The Base Erosion and Anti-Abuse Tax (BEAT) provision, introduced in the Tax Cuts and Jobs Act of 2017, aims to discourage profit shifting by

imposing a minimum tax on the foreign earnings of US corporations.

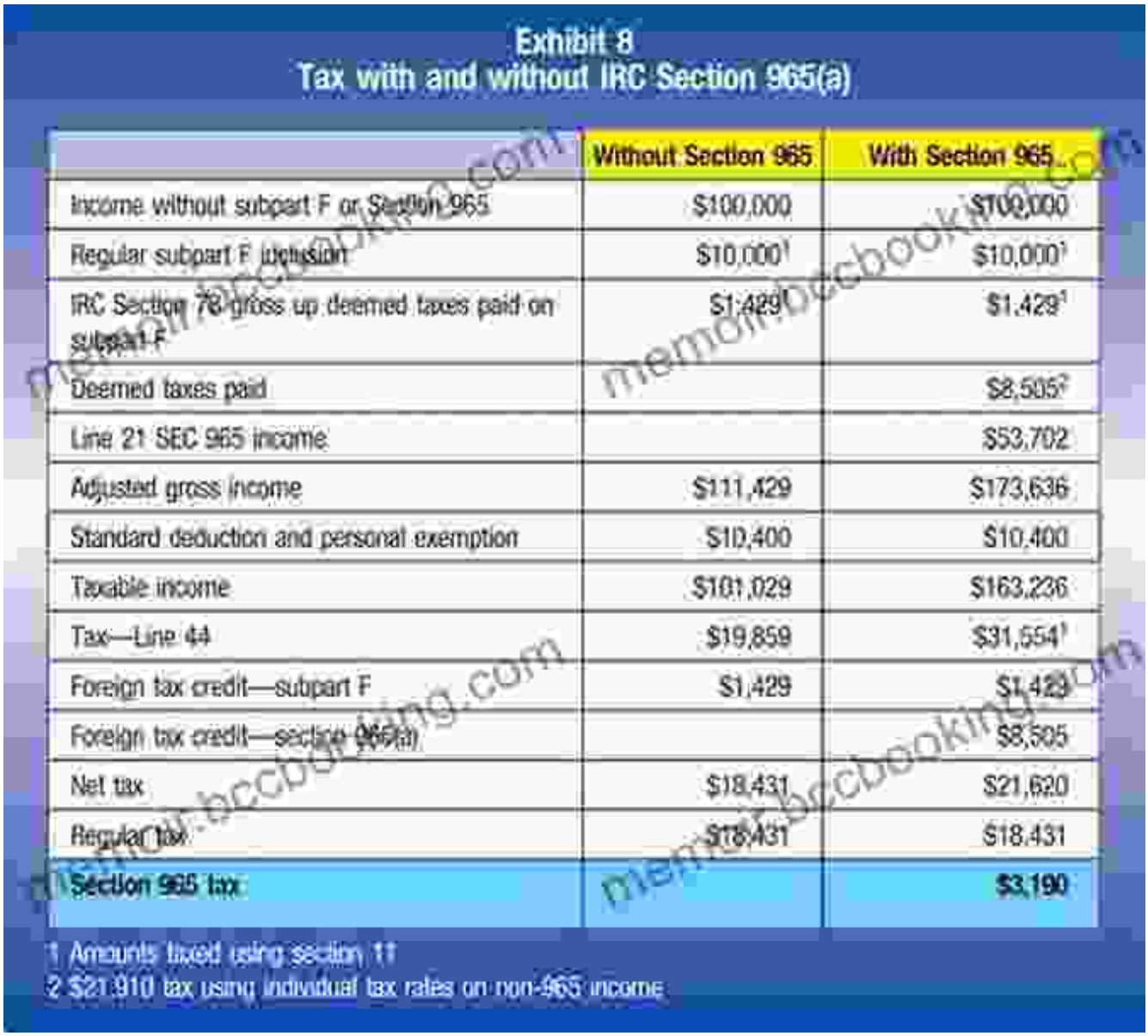


Exhibit 8
Tax with and without IRC Section 965(a)

	Without Section 965	With Section 965
Income without subpart F or Section 965	$100,000	$100,000
Regular subpart F inclusion	$10,000[1]	$10,000[1]
IRC Section 78 gross up deemed taxes paid on subpart F	$1,429[1]	$1,429[1]
Deemed taxes paid		$8,505[2]
Line 21 SEC 965 income		$53,702
Adjusted gross income	$111,429	$173,636
Standard deduction and personal exemption	$10,400	$10,400
Taxable income	$101,029	$163,236
Tax—Line 44	$19,859	$31,554[1]
Foreign tax credit—subpart F	$1,429	$1,429
Foreign tax credit—section 965(a)		$8,505
Net tax	$18,431	$21,620
Regular tax	$18,431	$18,431
Section 965 tax		$3,190

1 Amounts taxed using section 11
2 $21,910 tax using individual tax rates on non-965 income

Challenges and Future Prospects

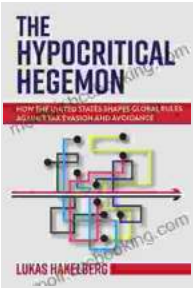
Despite the US's efforts, challenges persist in the fight against tax evasion and avoidance. The rapid evolution of digital economies, the complexity of global supply chains, and the interconnectedness of financial systems pose ongoing challenges.

The book "How The United States Shapes Global Rules Against Tax Evasion And Avoidance" explores these challenges in detail, highlighting the need for continued cooperation and innovation in international tax policy.

Looking ahead, the future of global tax rules will likely be shaped by technological advancements, such as artificial intelligence and blockchain, which can enhance tax administration and combat illicit financial practices.

The United States' role in shaping global rules against tax evasion and avoidance is essential to maintaining economic stability and fairness. By driving the development of international tax standards and pursuing anti-avoidance measures, the US has made significant strides in addressing these illicit practices.

However, challenges remain, and ongoing efforts are necessary to ensure that tax rules keep pace with the evolving global economy. The book "How The United States Shapes Global Rules Against Tax Evasion And Avoidance" provides a valuable examination of the subject, offering insights into the past, present, and future of this complex and critical issue.



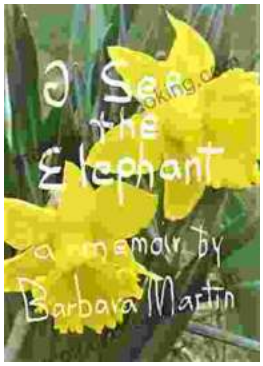
The Hypocritical Hegemon: How the United States Shapes Global Rules against Tax Evasion and Avoidance (Cornell Studies in Money) by Anne Janzer

4.4 out of 5

Language	: English
File size	: 2036 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
X-Ray	: Enabled
Word Wise	: Enabled

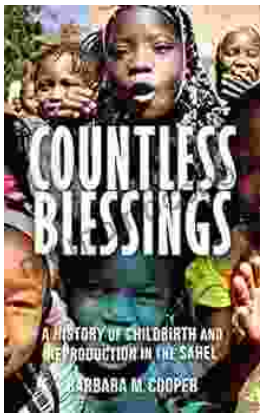
Print length : 203 pages

FREE DOWNLOAD E-BOOK



Teach Your Child They Have No Self Worth And They Will Live An Unfulfilled Life

By Dr. Jane Doe As a parent, you want what is best for your child. You want them to be happy, healthy, and successful. However, there are some...



Unveiling Centuries of Tradition: History of Childbirth and Reproduction in the Sahel

Journey into the heart of the Sahel, a vast and enigmatic region where childbirth and reproduction have played a pivotal role in shaping human history. "History of...