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**81 DTR G-5**

## **International Taxes**

### **IRS International Enforcement Extends To Cases of No Tax, Practitioner Cautions**

Taxpayers should be aware that the Internal Revenue Service's intense focus on international tax compliance applies in many cases where tax is not due, a Sullivan & Worcester practitioner said April 28.

During a webcast designed as an introduction to U.S. international tax, Sullivan's Douglas Stransky stressed that failure to comply with stringent information reporting requirements, in and of itself, could lead to harsh consequences.

With significant reporting expected, "simply failing to file the form" will result in penalties even in cases where tax is not owed, he said in his presentation, sponsored by BNA Tax & Accounting.

#### **Substantial Reporting Required, Stransky Notes**

Stransky said practitioners should take note of that fact that the outbound transfer of U.S. assets, with some exceptions, is a taxable event, and said there is "substantial reporting that needs to occur when you set up a foreign entity and transfer assets."

Taxpayers should keep in mind that it is difficult to set up a company and move business overseas without paying some tax, Stransky said.

As part of a presentation that covered a broad range of international issues, the Sullivan & Worcester practitioner also emphasized a recent change to the statute of limitations for IRS assessments under the Hiring Incentives to Restore Employment (HIRE) Act (Pub. L. No. 111-147).

#### **Extension of Statute of Limitations Addressed**

That measure extended the statute not just for international transactions but for the entire tax return, Stransky said. The new law gives IRS "additional time to examine and assess [penalties] for cross-border taxation and any other items in the tax return," where failure to report also could lead to significant penalties, he said.

He said particularly for international reporting, "this is an area where examiners have no discretion. They see a form not filed, the penalty is there."

In one other area involving recent international developments, Stransky discussed the look-through treatment allowed for controlled foreign corporations under tax code Section 956.

#### **CFC Look-Through Proposal Raised**

He said this provision currently is expired, although the Obama administration proposed a one-year extension under the fiscal year 2010 budget it unveiled in February. The provision was one among a host of other international proposals, including significant provisions that would limit deferral, curb the transfer of certain intangibles out of the United States, and consolidate the foreign tax credit under a "pooled" earnings approach (20 DTR GG-3, 2/2/10).

With regard to the CFC look-through provision, the hope is that it will be extended "at least one more year," Stransky said.

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ISSN 1522-8800

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