Global Tax 50 2019: Carol Doran Klein

Vice president and international tax counsel, USCIB

By Patrick Wiseman

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The US Council for International Business (USCIB) has played a crucial role as a go-between in the digital tax debate. The business group speaks for American enterprise in a way no other association can.

Carol Doran Klein has served as international tax counsel to USCIB since 2010. She oversees the work of the tax policy committee, which strives to make the US tax system more competitive. Naturally, the OECD's work on BEPS 2.0 has been on Doran Klein's radar.

"There are still so many open questions to be answered," says Doran Klein. "What is a consumer-facing business, for example, will determine the scope."

"How these issues are resolved will make a huge difference to the way the rules are applied in practice," she explains.

The tax policy committee includes leading industry figures like Microsoft's Bill Sample, Procter & Gamble's Tim McDonald, Will Morris from PwC and Louise Weingrod from Johnson & Johnson. This committee has several working groups, which cover everything from sales taxes to carbon taxes.

Founded in 1945 to promote an open world trading system, the USCIB now describes itself as "among the premier pro-trade, pro-market liberalisation organisations" and has a membership base of more than 300 multinational companies.

USCIB serves as the US affiliate of the International Chamber of Commerce and the Business and Industry Advisory Committee to the OECD. As such, the USCIB has no shortage of industry voices and a direct line to the OECD.

Doran Klein suggests the biggest challenge of 2020 will be "getting a political deal on digital tax" that holds together the unified approach.

"I don't think the OECD has provided enough clarification on how Amount A will work," she says. "You can't devise a sensible tax policy without knowing your objective," she adds.

The tax committee will be focused on the unified approach for the coming year at least. There is
plenty of work to do on both pillars. However, the work itself isn’t the challenge – it’s political. The OECD has to find a satisfactory solution to get countries like France to withdraw the digital services tax (DST). Otherwise, the world will see more DSTs.

"There's no easy solution to the problem," says Doran Klein. "Many countries do not want to give up their taxing rights."

"The solution needs to be based on sound principles," she adds. "Some countries might be willing to give up some political power in order to get a deal that's based on principles."

Yet the hope is that US tax reform established a way to save the international system. The Tax Cuts and Jobs Act (TCJA) introduced the global intangible low-taxed income (GILTI) rules to set strict limits on tax planning below a certain level.

Now, the OECD is in a position where US tax policy may be the blueprint for a new international framework. This is why the debate has shifted towards a minimum tax rate. The experience of US tax reform so far may have prepared American businesses for the possibility of such provisions becoming the global standard.

"The position of the US is simple: GILTI is enough," Doran Klein says. "The OECD need to accept the GILTI standard as the minimum rate for tax."

"The US adopted the minimum tax on its own and other countries are now looking to copy the US," she adds. "Expecting more than GILTI is not realistic."

There may be a shift towards a global minimum rate precisely because US companies see it as a way of levelling the playing field. The US has the power to make or break an OECD-based deal on tax reform, but the problem is many other countries want a solution that favours their economic interests.

The USCh will no doubt be fighting its corner in 2020. The OECD is racing to finalise its ambitious proposal for change and voices like Doran Klein will be crucial.