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Michael Kandeve Speaks to AFP on Repercussions of U.S. Corporate Tax Reform

Davies partner Michael Kandeve spoke recently to the Association for Financial Professionals about the impact of significantly reduced U.S. corporate tax rates on global businesses.

Michael believes it would be unwise for companies to make rash moves based on U.S. tax reform, and he doesn't anticipate a slew of Canadian companies inverting to the United States, as some U.S. companies have done by moving to lower tax jurisdictions. The United States' high national debt and unpredictable politics could very well result in corporate rates rising in the future, if not to previous levels.

However, he points out that companies may pursue smaller changes. The historical approach was to have as little taxable profit in the United States as possible, to minimize exposure to the 35+% corporate tax rate. "Now, a company might change its value chain to have more profit in the U.S.," Michael said. "So, for example, instead of selling remotely into the U.S. market, it goes to a full distributorship model with inventory, and marketing and sales people in the U.S."