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Treasury announces agreement with G7 countries to exclude U.S. companies from Pillar Two taxes in exchange for removing proposed new section 899 from OBBB

According to recent news reports, the U.S. Treasury Department has announced an agreement with the other six G7 countries (i.e., Canada, France, Germany, Italy, Japan, and the UK) under which U.S. companies will be excluded from the imposition of any Pillar Two taxes, in exchange for removing the proposed new section 899 from the budget reconciliation bill known as the "One Big Beautiful Bill" (OBBB) currently being considered by Congress.

Following the announcement, House Ways and Means Committee Chairman Jason Smith (R-MO) and Senate Finance Committee Chairman Mike Crapo (R-ID) issued a statement providing:

> *At the request of Secretary Bessent and in light of this joint understanding to preserve U.S. tax sovereignty and allow U.S. tax laws to co-exist with the Pillar 2 regime, we will remove proposed tax code Section 899 from the One, Big, Beautiful Bill Act, and we look forward to active engagement with Treasury on these important issues.*

New section 899 would have imposed a retaliatory tax on certain non-U.S. corporations and individuals if their home jurisdiction had adopted taxes on U.S. taxpayers deemed to be discriminatory or extraterritorial. Such taxes potentially would have included taxes imposed under an undertaxed profits rule (UTPR), digital services taxes (DSTs), or diverted profits taxes (DPTs). Read *TaxNewsFlash*

The Treasury Department subsequently issued an official press release (dated June 28, 2025) on the agreement. In addition, the OECD Secretary-General issued a statement (also dated June 28, 2025) on the agreement.

KPMG observation

Treasury's announcement only addresses Pillar Two taxes and did not discuss whether the agreement also covers DSTs or DPTs.

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