

Tax Insights | December 28, 2023

Tracking Tax News You Need to Know



IRS Issues Final Rules on Safe Harbor for Incorrect Information Returns

The Internal Revenue Service (IRS) [issued final rules](#) December 19 on the protection against penalties for incorrectly filed information returns. Penalties are imposed for failing to correct inaccurate information returns and payee statements; however, they are waived for minor errors. The final rules detail when the payee may elect to not have the safe harbor rules apply.

DOJ: Tax Court Violated Transfer Pricing Standard

The U.S. Department of Justice argued in an [opening brief](#) to the U.S. Court of Appeals for the Eighth Circuit that the U.S. Tax Court's rejection of the Internal Revenue Service (IRS)'s method for pricing intercompany transactions in *Medtronic v. Commissioner of Internal Revenue* violates Treasury regulations. The DOJ claimed the Tax Court's chosen method imposed a high standard for comparing company profits. Regulations require that the Tax Court select the best method to price a company's intangibles. However, the DOJ said the IRS's proposal of the comparable-profits method — "a flexible method that best accommodates differences," according to the DOJ — was not recognized.

U.S.-Chile Tax Treaty Enters into Force

The U.S.-Chile bilateral tax treaty [entered into force](#) on December 19. A tax treaty allows businesses to avoid double taxation on the same income, and tax disputes between companies and governments will be resolved within an agreed framework. Although this treaty has already entered into force, certain provisions related to withholding and amounts paid or credited will take effect on or after February 1, 2024.



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