Juliana Nam

From:	Ken Gordon
Sent:	Tuesday, 5 March 2024 5:16 PM
To:	Brendan Pearson; Cathy Raper; Kim Debenham; Ravi Kewalram; David Yardley; Juliana Nam
Subject:	OECD global tax deal still hangs in the balance (includes digital services tax) [SEC=OFFICIAL]

OFFICIAL

Forwarded in case you missed...

The OECD global tax deal still hangs in the balance

- World
- Risk
- Operational risk
- Tax policy
- Automotive

March 1st 2024

- **The OECD global tax deal has long suffered implementation delays, and will continue to do so in 2024.**
- **What happens next strongly depends on the outcome of the November 2024 US presidential election, which will dictate whether the US participates in the agreement.**
- **The chances of US buy-in are higher if Joe Biden, the Democratic incumbent, wins a second term, although a divided Congress will make immediate implementation difficult.**
- **In contrast, the US would probably exit the agreement if Donald Trump, the likely Republican nominee, wins. This would fragment the global tax landscape and could trigger a disruptive global trade war.**

In 2021 nearly 140 countries signed the OECD's global tax deal. The two-pillar agreement aims to halt a "race to the bottom" in global tax competition and discourage cross-border tax avoidance by firms. Pillar 1 aims to reallocate the residual profits of large multinationals from their home countries to jurisdictions where they generate revenue, and Pillar 2 establishes a 15% global minimum corporate tax. As signatories begin to enact the agreement's provisions, we examine developments to watch in 2024, and how the outcome of the upcoming US presidential election will shape the trajectory of this OECD-led process. **Despite repeated delays, companies should follow these developments closely to gauge the longer-term implications on their operations across different tax jurisdictions**.

s 22(1)(a)(ii)

A Trump win would trigger US disengagement

A Trump victory is a strong possibility, in which case we would expect him immediately to pull the US from the deal. This could prompt a wide-ranging trade war as the international pause on DSTs is lifted and Mr Trump retaliates with tariffs, including on goods trade.

Such a scenario would be highly disruptive for multinationals, especially if US defection encouraged signatory countries to implement the agreement more quickly. **This would create a highly disjointed global tax landscape, raising uncertainty and compliance costs for companies that operate in the US and in signatory countries. The burden on technology firms would be particularly high. The planned renewal of the United States-Mexico-Canada Agreement in 2026 could also suffer if DST tensions derail negotiations.** Such adverse consequences could ultimately prompt the business community to lobby for US alignment with the OECD tax deal, particularly if multinationals face penalty taxes for non-compliance. However, this would remain difficult for as long as Mr Trump remains averse to multilateral frameworks and Republicans oppose the agreement in principle.

From: EIU today <eiu_enquiries@eiu.com>
Sent: Wednesday, March 6, 2024 8:01 AM
To: Ken Gordon <Ken.Gordon@dfat.gov.au>
Subject: [EXTERNAL] Intelligence today: the OECD global tax deal still hangs in the balance

s 22(1)(a)(ii)

A Trump win would trigger US disengagement

An election win for Donald Trump is still a strong possibility, in which case we would expect him immediately to exit the US from the global tax deal. This would be highly disruptive for multinationals, as it would create a disjointed global tax landscape, raising uncertainty and compliance costs for companies that operate in the US and in signatory countries.

Read more

s 22(1)(a)(ii)

s 22(1)(a)(ii)

Juliana Nam

From: Ken Gordon
Sent: Monday, 4 March 2024 4:35 PM
To: s 22(1)(a)(ii)
Cc: DLO TTM; s 47F(1)
Subject: US could exit IPEF under Trump [SEC=OFFICIAL]

OFFICIAL

fyi

From: EIU today <eiu_enquiries@eiu.com>
Sent: Tuesday, March 5, 2024 8:00 AM
To: Ken Gordon <Ken.Gordon@dfat.gov.au>
Subject: [EXTERNAL] Intelligence today: the US could exit IPEF under Trump

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March 5th 2024

Intelligence today

The US could exit IPEF under Trump

Good morning,

The Supply Chain Agreement of the **Indo-Pacific Economic Framework** (IPEF) went into force on February 24th, marking a milestone for the US's economic engagement with Asia under the US president, Joe Biden. Today's newsletter examines the future of IPEF, particularly ahead of the November 2024 US elections.

A target for anti-trade sentiment

Despite its lack of binding mechanisms to reduce concrete trade barriers, IPEF has not dodged anti-trade sentiment in the US. Donald Trump, the probable Republican presidential nominee, has unfavourably compared IPEF to the Trans-Pacific Partnership, which he withdrew from on his first day in office. Mr Trump would also probably pull out of IPEF if he is re-elected (not our core forecast).

Read more

s 22(1)(a)(ii)

All eyes are on the 2024 presidential election

Mr Biden will remain rhetorically committed to IPEF, given its role in his strategy vis-à-vis China. However, Mr Trump's campaigning against IPEF in 2024 will limit Mr Biden's ability to promote it as a success domestically. This could force Mr Biden to disavow or even exit the agreement, although a US retreat from IPEF lies beyond our core forecast.

Read more

s 22(1)(a)(ii)

s 22(1)(a)(ii)