

## US Withdrawal from OECD Global Tax Deal



This is a dynamic PDF e-book by GKToday. Please note that its content is subject to updates / changes on the GKToday website [www.gktoday.in] to ensure the latest information. You can download the most recent version of this e-book by visiting [this link](#) or by scanning this QR code.

**Disclaimer:** The authors and publisher have made every effort to ensure that the information in this E-book is correct. However, GKToday does not assume and hereby disclaims any liability to any party for any loss, damage, or disruption caused by errors or omissions, whether such errors or omissions result from negligence, accident, or any other cause. This document is a property of GKToday. Reselling and Redistribution or Duplication is strictly prohibited.



Recently, shortly after taking office, US President Donald Trump issued an executive order withdrawing the United States from the OECD's global tax deal. This agreement, designed to combat tax avoidance by multinational corporations, has been put on hold.

### What is OECD Global Tax Deal?

- The OECD Global Tax Deal was established to address tax avoidance by large multinational companies.
- It consists of two main pillars:
  1. Pillar 1 reallocates profits from home countries to jurisdictions where revenue is generated.
  2. Pillar 2 sets a global minimum corporate tax rate of 15%.
- Over 140 countries had signed the deal, aiming for a fairer international tax landscape.

### US Executive Order Details

President Trump's memorandum criticises the global tax deal for undermining US sovereignty and economic competitiveness. The order states that the deal imposes extraterritorial jurisdiction over American income and restricts the US's ability to create tax policies beneficial to American businesses. Consequently, the US will not comply with the deal's stipulations.

### Impact on Global Tax Landscape

Experts predict that the US withdrawal will have consequences for the global tax framework. Countries that have already begun implementing the Global Anti-Base Erosion Model (GloBE) rules may need to revise their strategies to align with the new US stance. Approximately 50 jurisdictions had made progress towards adopting these rules, and they now face uncertainty.

### India's Position on the Global Tax Deal

- India has historically maintained a cautious approach towards adopting GloBE rules.
- The country has not yet made legislative changes in response to the OECD deal.
- In the [Union Budget 2024](#), India eliminated the 2% equalisation levy, which had been a contentious issue with the US.
- Consequently, the impact of the US withdrawal on India's tax collection is expected to be minimal.

### Role of the OECD in Global Economics

- The OECD, comprising 37 democracies with market economies, serves as a forum for developing policy standards that promote sustainable economic growth.
- It facilitates collaboration among governments, enabling them to share experiences and develop high economic policy standards.
- The OECD has been an important source of evidence-based policy analysis and economic data for over 50 years.

### Current OECD Membership and Economic Influence

OECD member countries account for a substantial portion of the global economy,



representing three-fifths of world GDP and three-quarters of world trade. The organisation plays a vital role in promoting sound economic policies, innovation, and resource efficiency, thereby influencing global economic dynamics .