

## Trump says global tax deal has no “force or effect” in US, orders government hiring freeze with more scrutiny for the IRS

As Donald Trump took the oath of office as the forty seventh president of the United States, he issued a number of executive orders on energy and border security and declared that the global tax deal – a two-part international agreement signed on to by the Biden administration in 2021 with 140 other countries – has no “force or effect” in the United States. Trump’s international and trade agenda took center stage on January 20 as he also threatened to double US taxes on citizens and corporations domiciled in jurisdictions deemed to have discriminated against American individuals and companies and to search for additional retaliatory measures.

Trump also exerted his authority over federal departments and agencies and ordered a hiring freeze on all federal civilian employees throughout the executive branch for 90 days, with the freeze to continue for the IRS after the 90-day period until further notice, while at the same time, he froze the issuance of all pending rules at executive departments and agencies across the federal government.

### OECD global tax deal, extraterritorial taxes

On his first day in office, President Trump released a memorandum to the Treasury Secretary and the US Trade Representative regarding the OECD “Global Tax Deal,” which is intended to include the Pillar One and Pillar Two multilateral projects drafted by the OECD and currently being implemented in EU jurisdictions and elsewhere. The memorandum instructed the Treasury Secretary and the permanent representative of the United States to the OECD to notify the OECD that any commitments made by the Biden administration have no “force or effect” within the United States absent an act by the Congress adopting the relevant provisions of the deal. (For prior coverage on Republican concerns over the global tax agreement, see *Tax News & Views*, Vol. 23, No. 14, April 8, 2022, and *Tax News & Views*, Vol. 24, No. 12, March 31, 2023.)

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/](https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/)

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The new administration further instructed the Treasury Secretary to investigate whether any foreign countries are not in compliance with any tax treaty with the United States or have any tax rules in place, or are likely to put tax rules in place, that are extraterritorial or disproportionately affect American companies, and develop a list of options for protective measures or other actions that the United States should adopt or take in response to the President within 60 days.

Separately, Trump issued another memorandum which instructed the Treasury Secretary to investigate whether any foreign country subjects United States citizens or corporations to discriminatory or extraterritorial taxes under section 891 of the Internal Revenue Code, which is also presumably at least in part related to Pillar Two. Generally, section 891 provides for doubling of tax rates on citizens and corporations of certain foreign

countries when the President finds that US citizens or corporations are being subject to discriminatory or extraterritorial taxes by that nation.

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/](https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/)

It is not immediately clear what impact the orders will have. The US had not taken any action to come into compliance with either Pillar One or Pillar Two of the OECD project. Moreover, on their face, the orders do not appear to preclude the possibility that another jurisdiction might attempt to collect taxes from an American company whose tax profile is itself not in compliance with the OECD's Pillar Two rules. Nevertheless, the threat to double the tax rate on individuals and companies domiciled in jurisdictions deemed to have discriminated against American individuals and companies and to search for additional retaliatory measures are clearly sending a loud signal to the rest of the world to proceed with caution here.

The orders were cheered by key Republicans on Capitol Hill. Supporting the new president's actions, House Ways and Means Committee Chairman Jason Smith (R-Mo.) declared that "President Trump has always put America first, which is precisely why he is standing up for Americans against foreign governments who want to tax our workers and businesses unfairly, kill American jobs, and hand China an advantage."

### **Setting the stage on tariffs**

Despite extensive discussions on the campaign trail about how new and higher tariffs would be an early feature of his administration, President Trump's first day executive orders on trade did not actually change US tariff rates or issue new supplemental tariffs. In a wide ranging order calling for an America First Trade Policy, President Trump ordered several different agencies to conduct a variety of investigations and to submit reports on various causes of trade imbalances and other issues impacting US imports and exports. Such reports are an initial step under several Executive authorities towards further trade measures/tariffs. While those reports may form the predicate for subsequent imposition of higher tariffs, either narrowly or across the board, they do not immediately change tariff rates on any imports.

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/](https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/)

### **Regulatory freeze for federal departments and agencies**

As expected, the new president, as is common, froze pending regulations and other guidance projects for all executive departments and agencies via a memorandum signed on January 20. Under the executive order, the Treasury Department and the IRS (like all other departments and agencies) cannot issue regulations or rules until new agency heads (in this case, Secretary of Treasury and/or IRS Commissioner or their delegates) are in place and the new heads have reviewed the guidance. If Treasury and the IRS have sent any regulations to the Office of Federal Register to be published but are not yet published, they must withdraw the regulations immediately and cannot resubmit them until the regulations and guidance are reviewed by the Secretary and Commissioner (or their delegates). In addition, if any Treasury regulations or IRS guidance has been published with an effective date on or after January 20, Treasury and IRS must consider postponing the effective date for at least 60 days so the regulation or guidance can be reevaluated and new comments solicited. Given the significant number of tax rules issued in the closing days of the prior administration, it is likely that some of these rules will be reevaluated consistent with yesterday's executive order.

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/regulatory-freeze-pending-review/](https://www.whitehouse.gov/presidential-actions/2025/01/regulatory-freeze-pending-review/)

### **Extended hiring freeze for IRS**

The president also ordered a hiring freeze on federal civilian employees. The hiring freeze, effective 12 PM on January 20, applies to all executive departments and agencies excluding military personnel or positions related to immigration enforcement, national security or public safety. It also shall not adversely impact the provision of Social Security, Medicare, or Veterans' benefits. The hiring freeze generally expires within 90 days of the date of the order, upon issuance of a plan from the Office of Management and Budget ("OMB") on how to reduce the size of the federal government's workforce.

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/hiring-freeze/](https://www.whitehouse.gov/presidential-actions/2025/01/hiring-freeze/)

The president, however, imposed extra scrutiny on IRS hiring; the hiring freeze for the IRS will remain in effect until the Secretary of the Treasury in consultation with the Director of OMB and Administrator of the United States Department of Government Efficiency (DOGE) (established in this executive order) determines that it is in the national interest to lift the freeze.

[URL: https://www.whitehouse.gov/presidential-actions/2025/01/establishing-and-implementing-the-presidents-department-of-government-efficiency/](https://www.whitehouse.gov/presidential-actions/2025/01/establishing-and-implementing-the-presidents-department-of-government-efficiency/)

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