



GMS Flash Alert

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United States – Presidential Action on Reciprocal Tariffs: Implications for Global Mobility

On April 2, 2025, U.S. President Donald Trump announced a sweeping tariff policy to impose reciprocal tariffs on countries that apply duties to U.S. goods. The tariffs included a 10-percent duty on nearly all imports to the United States starting April 5, 2025, with higher reciprocal rates for countries with significant trade imbalances effective April 9, 2025.¹ Subsequently, on April 9, a 90-day pause was announced on the higher reciprocal rates for over 75 countries with an exception for imports from the People’s Republic of China (“China”), which face a sharply higher combined tariff rate of 125 percent.² A further announcement on April 11 provides for a reciprocal tariff exclusion for smartphones, laptop computers and certain other electronic goods.³

In a separate memorandum entitled “America First Investment Policy” issued on February 21, 2025, the president stated an intention to review whether to suspend or terminate the income tax treaty between the United States and China.⁴

WHY THIS MATTERS

Increased tariffs and changing trade policies impact businesses in a variety of ways by raising costs, lowering profits, and disrupting supply chains, with potential impacts for global mobility of employees. Companies may relocate production or cut spending, leading to adjustments in workforce and changes in job locations or duties. Relocation of employees may happen concurrently with higher tariffs, which could lead to increased costs such as shipping personal belongings, travel expenses, and potentially higher living expenses in the destination country. Changes in trade policy are also influencing U.S. tax policy, with the potential for increased tax rates on foreign individuals, and possible loss of tax exemptions or reduced tax rates under U.S. double tax agreements that could result in additional assignment costs through tax equalization or higher compensation costs necessitated by employee relocation.

Background

Trade Policy and Tariff Imposition

On April 2, 2025, President Trump signed the executive order “Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits” establishing reciprocal tariffs through the *International Emergency Economic Powers Act of 1977* (IEEPA).⁵ The tariffs imposed include a 10-percent duty on nearly all imports to the U.S. starting April 5, 2025, with higher reciprocal rates for countries with significant trade imbalances effective April 9, 2025. The existing IEEPA orders for Canada and Mexico remain in place and are unaffected. Exceptions include (but are not limited to) certain goods such as steel, aluminum articles, auto/auto parts already subject to increased tariffs, copper, pharmaceuticals, semiconductors, lumber articles, and energy and other minerals not available in the United States. However, as mentioned above, on April 9, 2025, a 90-day pause was announced on the higher reciprocal rates except for higher tariff rates on imports from China.

On February 21, 2025, President Trump issued a presidential memorandum, “Defending American Companies and Innovators from Overseas Extortion and Unfair Fines and Penalties.”⁶ The memorandum indicates that the Trump Administration is open to using retaliatory measures against any country imposing a digital services tax, or any other act, policy, or practice that would undermine the global competitiveness of U.S. companies. This would include invoking I.R.C. section 891 (see coverage in [GMS Flash Alert 2025-047](#)), which allows President Trump to double the tax rates of foreign citizens and foreign corporation of countries determined to impose discriminatory or extraterritorial taxes.

Furthermore, certain members of Congress have expressed support for a House of Representatives proposal that would impose an additional tax rate on foreign citizens and corporations of countries the Treasury has identified as imposing discriminatory or extraterritorial taxes. These individuals and entities would also be denied the benefit of reduced withholding tax rates under any treaty obligation of the United States.⁷

Possible Revocation of U.S.-China Treaty

Also on February 21, 2025, President Trump signed a memorandum entitled “America First Investment Policy,” stating that the United States will use all necessary legal instruments to further deter U.S. persons from investing in China’s military-industrial sector. The memorandum specifically states that the Trump Administration will review whether to suspend or terminate the 1984 U.S.-China income tax treaty.⁸

Article 28 of the U.S.-China income tax treaty provides that it can be terminated by either country by giving notice through diplomatic channels to the other country. Provided such notice is given on or before June 30 of a particular year, the treaty will cease to have effect from January 1 of the following year. Hence, the United States would be required to give such notice by June 30, 2025, if it intends to terminate the treaty with effect from January 1, 2026.

Revocation of the treaty would have significant implications for U.S. businesses with operations in China. For example, individuals on short-term assignments to China who are currently exempt from Chinese tax on their compensation under the income from employment article of the treaty (Article 14) would lose that exemption.

KPMG INSIGHTS

With changes in U.S. trade and tax policy, and possible loss of treaty exemptions, companies may face heightened challenges, including increased operational and mobility costs. Global mobility professionals should consider working closely with strategic planning teams to anticipate potential shifts in workforce needs and locations and to assess the implications of any tax and tariff measures that might affect international assignments.

Note: In this rapidly changing environment, the information provided is current only as of the date of this publication. Due to the dynamic nature of trade and customs regulations, tariffs, and related policies, the information may change at any time. It is essential to verify the latest updates and consult with a professional adviser to help ensure compliance and accuracy.

FOOTNOTES:

1 “Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security” (April 2, 2025) at: <https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/>.

2 See Executive Order, “Modifying reciprocal tariff rates to reflect trading partner retaliation and alignment” (April 9, 2025) at: <https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/>.

3 For the subsequently issued exception for smart phones, laptop computers, and certain other electronic goods, see the U.S. Customs and Border Protection announcement: https://content.govdelivery.com/bulletins/gd/USDHSCBP-3db9e55?wgt_ref=USDHSCBP_WIDGET_2 .

4 White House Memorandum: “America First Investment Policy”: <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/> .

5 “Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits” (April 2, 2025) at: <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/> .

6 Memorandum, “Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties” (February 21, 2025) at: <https://www.whitehouse.gov/presidential-actions/2025/02/defending-american-companies-and-innovators-from-overseas-extortion-and-unfair-fines-and-penalties/> .

7 H.R. 591, 118th Cong. (2025). For prior coverage, see [GMS Flash Alert 2025-041](#).

8 “America First Investment Policy” (February 21, 2025) at: <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/> . For prior coverage see [TaxNewsFlash-United States](#), No. 2025-075, February 24, 2025, a publication of KPMG LLP (U.S.).

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