

Senate Standing Committees on Economics
Inquiry into Future Made in Australia Bill 2024 [Provisions] and the Future Made in Australia (Omnibus
Amendments No. 1) Bill 2024 [Provisions]

Topic: US Tax Benefits

Senator Nick McKim

Question

The US Inflation Reduction Act in part acts as a carbon border adjustment mechanism on critical minerals, batteries and vehicles produced by a defined ‘foreign entity of concern’. Australia has a quad deal in critical minerals and a Free Trade Agreement with the US. So if an Australian venture received direct foreign investment from a Chinese state-owned-entity to process or build a product eligible under the IRA, would those products be eligible or ineligible for the US tax benefits?

Answer

The Inflation Reduction Act (IRA) presents opportunities for Australia’s mining and refining capabilities to support US clean energy and electric vehicle supply chains, especially given our preferential status as a free trade agreement partner of the United States.

For Australian companies to participate in IRA eligible supply chains, an Australia venture would need to comply with foreign entity of concern provisions, as determined by US authorities. Ultimately Australian companies should obtain their own legal advice about their compliance with the requirements of the IRA, including the foreign entity of concern provisions.