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## Australia Loses Tax Revenue as Trump Halts OECD Reforms

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Australia stands to lose significant tax revenue from United States (US) multinational corporations following President Donald Trump's decision to withdraw from the Organisation for Economic Co-operation and Development (OECD) global tax reforms, a move that prioritizes American economic sovereignty but leaves allies like Australia in a bind. The reforms, designed to ensure fair taxation, were expected to bolster

Australia's fiscal position, but their derailment threatens economic stability.

In 2021, approximately 140 countries, including Australia, endorsed the OECD's Global Minimum Tax deal, which aimed to impose a 15% minimum tax rate on large multinationals with annual global revenue exceeding €750 million (A\$1.34 billion). This initiative, known as Pillar Two, was crafted to curb profit-shifting to low-tax jurisdictions, ensuring companies pay a fair share in countries where they operate. Pascal Saint-Amans, former OECD tax director, emphasized that Australia's adoption of this framework was poised to generate revenue from US firms like big tech and pharmaceutical giants. However, Trump's executive order on January 20, 2025, declared the deal void in the US unless Congress approves it, effectively dismantling over a decade of international tax cooperation. "This sends a clear signal to US multinationals that they can dodge taxes globally," Saint-Amans noted, highlighting the setback for nations like Australia.

The Australian Labor government, which legislated Pillar Two before the 2024 election, now faces criticism for aligning with a faltering global initiative. Treasury estimated the reforms would yield \$360 million over four years—modest but meaningful. With the US withdrawal, Australia's Digital Services Tax (DST) and Diverted Profits Tax (DPT) are at risk, as Trump's administration threatens retaliatory measures against countries enforcing such taxes. This leaves Australia vulnerable, with limited leverage against American economic might.

Jason Ward, a principal analyst at the Centre for International Corporate Tax Accountability, called the G7's acquiescence to Trump's demands "a major step backward," arguing it undermines global efforts to curb tax

avoidance. As Australia grapples with this revenue shortfall, the focus may shift to domestic tax reforms or a pivot toward United Nations-led tax frameworks, which could offer a more inclusive alternative. For now, Trump's America-first stance has left Australia's fiscal strategy in disarray, exposing the fragility of international tax cooperation.