

**Comments of Tax Justice Network – Australia (TJN-Aus) and
Centre for International Corporate Tax & Accountability (CICTAR)
concerning the ATO’s Draft Practical Compliance Guideline (PCG 2025/D3)
Global and domestic minimum tax lodgement obligations – transitional approach**

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To: Matthew Evans, ATO Contact Officer
Pillar2Project@ato.gov.au

We broadly support these draft practical compliance guidelines to implement the OECD’s Pillar 2 global minimum tax reform. However, given larger concerns about the broader global implementation of Pillar 2, we refrain from engaging on the specifics and will make a few over-arching comments.

On 28 June, the G7 issued a statement that essentially exempted US MNCs from the OECD’s negotiated Pillar 2 global minimum tax. While the statement was framed as a ‘side by side’ solution to preserve the integrity of the goals of Pillar 2, this will severely erode the effectiveness and enforcement of the OECD Pillar 2 proposal. The G7’s US exemption was driven by an effort to appease President Trump to head off possible retaliatory efforts being considered by the US Congress. The retaliatory measures would be targeted against jurisdictions implementing Pillar 2 and other common-sense proposals to collect tax revenue from MNCs where profits are genuinely generated, as opposed to where profits may be artificially shifted.

This proposed G7 exemption undermines years of effort to achieve global consensus on the massive problem of Base Erosion Profit Shifting that the OECD has attempted to address. This critical dismantling of the OECD’s Pillar 2 approach follows the now widely recognised collapse of Pillar 1, aimed at making the world’s largest multinational corporations pay tax in jurisdictions where profits are earned. This failure of the multilateral approach through the OECD will likely trigger many unilateral and regional efforts to introduce or re-introduce Digital Services Taxes (DSTs). It was clearly the threat of a multitude of varying DSTs that drove progress on Pillars 1 and 2 through the OECD and agreement from impacted MNCs that a multinational approach was preferable.

Given that Australia is not a member of the G7 group, we would urge the ATO and the Australian government to proceed, as planned in legislation and these guidelines, to fully implement Pillar 2 with no exemption for US MNCs.

Furthermore, Australia should re-consider other measures, including a DST, given the collapse of Pillar 1. Additionally, without productive and positive engagement with the current US administration in multilateral tax discussions through the OECD, we would urge the Australian government to play a more positive role in the ongoing discussions through the United Nations Framework Convention on International Tax Cooperation. At this point in time, this is clearly a more productive venue for multilateral cooperation and progress can be made with or without the involvement of the current US administration.



Centre for
International
Corporate Tax
Accountability
and Research

Jason Ward
Principal Analyst

[CICTAR](#)

Phone: 0488 190 457

Email: jason.ward@cictar.org

Dr Mark Zirnsak
Secretariat

[Tax Justice Network Australia](#)

Phone: 0409 166 915

Email: mark.zirnsak@victas.uca.org.au