Taxation Policy in Countries Following the Arrival of US President Trump in 2025: Focus on Sri Lanka

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Abstract

The shift in United States tax policy, particularly following the assumption of office by President Donald Trump in 2025, has generated significant global economic repercussions, with developing nations like Sri Lanka experiencing tangible impacts. This paper addresses the problem of how unilateral changes in US taxation—especially tariffs and modifications to international tax agreements—affect foreign economies by disrupting trade flows, altering investment patterns, and influencing domestic fiscal policies. The central objective of this study is to examine the implications of post-2025 US tax reforms on Sri Lanka's economy, focusing on areas such as trade competitiveness, foreign direct investment, and remittance dynamics. Key research questions include: How do US tax reforms reshape trade and investment relations with Sri Lanka? What mechanisms transmit these global fiscal changes to local economic outcomes? And how is Sri Lanka adjusting its taxation framework in response to emerging international standards? By utilizing both quantitative data analysis and qualitative insights, the study explores the challenges Sri Lanka faces in mitigating adverse effects on local businesses and economic growth, while also identifying potential opportunities for aligning national policy with evolving global norms. The findings contribute to a nuanced understanding of international economic interdependencies and provide evidence-based recommendations for strategic policy responses that could enhance Sri Lanka's resilience and adaptability in the context of a shifting global fiscal landscape shaped by the post- Trump era of US tax policy.

Keywords: US tax policy, Sri Lanka, tax reforms, local business, foreign investment, strategic policy