DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 3, 2019

José Ángel Gurría
Secretary-General
The Organisation for Economic Co-operation
and Development
2, rue André Pascal
75775 Paris Cedex 16
France

Dear Ángel:

The United States supports the discussions at the OECD to address the issues faced by the international tax system.

We believe that it is very important that these talks reach agreement in order to prevent the proliferation of unilateral measures, like digital services taxes, which threaten the longstanding multilateral consensus on international taxation. The United States firmly opposes digital services taxes because they have a discriminatory impact on U.S.-based businesses and are inconsistent with the architecture of current international tax rules, which seek to tax net income rather than gross revenues.

For any new multilateral agreement to become effective, it will need to be implemented through amendments to tax treaties and/or through domestic legislation, which in turn will require broad support. Based on extensive consultations with taxpayers, we have concluded that there is broad support for greater tax certainty and administrability. However, we have serious concerns regarding potential mandatory departures from arm's-length transfer pricing and taxable nexus standards—longstanding pillars of the international tax system upon which U.S. taxpayers rely. Nevertheless, we believe that taxpayer concerns could be addressed and the goals of Pillar 1 could be substantially achieved by making Pillar 1 a safe-harbor regime. The United States also fully supports a GILTI-like Pillar 2 solution. We look forward to working with the OECD along these lines, building on the work already done.

We urge all countries to suspend digital services tax initiatives, in order to allow the OECD to successfully reach a multilateral agreement.

Sincerely,

Steven T. Mnuchin

Steven T. Mnuchin