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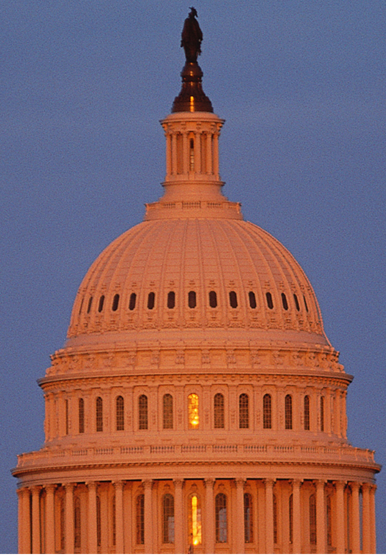
## United States



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# U.S. government's comments opposing Canada's digital services tax proposal

The Office of the United States Trade Representative (USTR) today submitted comments to the Canadian government expressing opposition to Canada's plan to enact a digital services tax.

The **USTR comments** [PDF 111 KB] state that the United States has "serious concerns" about Canada plans to enact a digital services tax and in particular about measures that "single out American firms for taxation while effectively excluding national firms engaged in similar lines of business."

The U.S. comments continue:

> *Based on previous communications from the Canadian Government and its officials, the United States understands that the Canadian DST [digital services tax] proposal will duplicate most aspects of the DSTs adopted in France, Italy, Spain, Turkey, and the United Kingdom. The United States found these DSTs (and others) to be actionable under Section 301 of the United States Trade Act of 1974 and concluded that these DSTs are discriminatory and burden U.S. commerce. Any tax adopted by Canada would be assessed against the same standard.*

The comment letter concludes:

> *The United States urges Canada to abandon any plans for a unilateral measure and instead redouble its commitment to the rapid implementation of Pillar One of the October 8 OECD/G20 agreement and the completion of a multilateral convention in 2022.*

**Background**

The Canadian government proposed in late 2021 to implement a 3% digital services tax on "large businesses" that earn revenue from certain digital services. Read ***TaxNewsFlash***

As proposed, the digital services tax would:

- Generally apply for businesses that have global group revenue from all sources of €750 million or more in their fiscal period ending in the previous calendar year, as well as more than $20 million*

of “in-scope” revenue related to Canadian users for the particular calendar year. Moreover, businesses with $10 million of “in-scope” revenue for a particular calendar year would also be required to register.
- Apply to certain revenue earned from online marketplaces, social media, online advertising, and user data as of 1 January 2022. However, the new tax would not be imposed earlier than 1 January 2024, and only if an international multilateral treaty to implement other tax measures has not come into force by that time (i.e., Pillar One of the OECD’s two-pillar approach to tax reform).

Canada’s digital services tax proposal—released with the 2021 fall economic statement—includes additional details about how taxpayers would calculate their in-scope revenue and outlines what would be a taxpayer’s obligations regarding the digital services tax.

*$=Canadian dollar



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