



September 8, 2023

The Honourable Chrystia A. Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5
Canada

Dear Minister Freeland:

The U.S. Chamber of Commerce respectfully renews our concerns with the Government of Canada's proposal to enact a new unilateral, discriminatory digital services tax with retroactive effect.

On August 4, 2023, the Department of Finance Canada released a revised draft of its proposed *Digital Services Tax Act* legislation for public consultation. Like its predecessor, the revised legislative proposal would impose a 3% tax on revenue from certain digital services provided by businesses with gross revenues of at least €750 million and in-scope Canadian revenues of at least \$20 million (CAD). The tax would still apply retroactively to relevant revenues earned as of January 1, 2022, and would not be creditable against Canadian income tax. In short, the revised legislation conspicuously fails to address the most controversial aspects of the proposed levy raised by commenters during the previous consultation period.

In February 2022, the U.S. Chamber submitted a compilation of [comments](#) detailing why Canada's proposed *Digital Services Tax Act* legislation was of the utmost concern to North American business and our economic recovery. These concerns remain. Imposition of the proposed tax would not only discriminate against U.S. companies but also contravene Canada's obligations under both the Canada-U.S.-Mexico Agreement (CUSMA) and the World Trade Organization (WTO).

And the real-world costs would be substantial: it would increase the risk of unmitigated double taxation for U.S. companies, undermine predictability and stability, impose undue administrative complexity on account of its retroactive application, and raise new hurdles for cross-border trade and investment to the detriment of workers and businesses across North America. It is for these reasons that the prospect of unilateral Canadian digital services taxation has elicited staunch bipartisan opposition in the United States Congress and warnings of retaliatory measures from the Biden administration.

The counterproductive, unilateral approach contemplated by Canada's revised *Digital Services Tax Act* legislation also risks undermining the OECD/G20 Inclusive Framework on BEPS's long-sought solution to address the tax challenges arising from the digitalization of the economy. Instead of adopting policies sharply at odds with those of Canada's allies and partners, and for all the other reasons set forth above, the U.S. Chamber respectfully urges Canada to abandon its proposed unilateral approach and meaningfully reengage in the

OECD/G20-led multilateral process. Doing so at this critical stage would inject renewed confidence in the viability of a multilateral solution while ensuring that Canada's interests are protected.

Sincerely,



Watson M. McLeish
Senior Vice President, Tax Policy
U.S. Chamber of Commerce



John Murphy
Senior Vice President, International Policy
U.S. Chamber of Commerce