



December 8, 2021

Lily Batchelder
Assistant Secretary of the Treasury, Tax Policy
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Canadian proposal to enact a retroactive Digital Services Tax (DST)

Dear Assistant Secretary Batchelder:

On behalf of the U.S. Chamber of Commerce, I write today to express our profound concern regarding statements by Canadian officials that the Canadian government plans to formally propose a unilateral Digital Services Tax (DST) before the end of this year. The apparent intention is that the DST would not come into force (and thus would not be collected) until 2024 but that it would be *retroactive* to the beginning of 2022.

The enactment of such a retroactive unilateral measure is directly contrary to both the spirit and the explicit terms of the OECD/G20 Inclusive Framework on BEPS agreed to by 137 countries, including Canada, and signed on October 8. The following provision on Unilateral Measures in the OECD/G20 agreement provides that any newly enacted DSTs will not be imposed before the earlier of December 31, 2023, or the implementation of the Pillar One framework:

No newly enacted Digital Services Taxes or other relevant similar measures will be imposed on any company from 8 October 2021 and until the earlier of 31 December 2023 or the coming into force of the MLC.

Despite this explicit commitment, Canadian officials continue to state that they intend within a matter of weeks to formally propose a DST that would not come into force until 2024 but would be enacted with an effective date retroactive to the beginning of 2022.

Canada is one of the most important U.S trading partners, and our economies are closely intertwined. A Canadian DST would heighten the risk of double taxation for

U.S. companies large and small, undermine regulatory predictability, present enormous administrative complexity due to retroactivity, complicate tax planning, and raise new hurdles to recovery for American workers and businesses. It would also violate the OECD/G20 agreement to which the Canadian government has indicated it is committed.

The Chamber stands ready to work with the Treasury to secure a satisfactory outcome in this matter of importance to American workers and companies as well as longer-term trade and tax priorities.

Sincerely,

A handwritten signature in black ink that reads "Rob Hanson" with a long horizontal flourish extending to the right.

Robert P. Hanson
Senior Vice President, Tax Policy
U.S. Chamber of Commerce
RHanson@uschamber.com

cc: Itai Grinberg, Deputy Assistant Secretary (Multilateral Negotiations)
Rebecca Kysar, Counselor to the Assistant Secretary, Tax Policy