

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

THOMAS J. DONOHUE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5300 • 202/463-5327 FAX

October 29, 2018

The Honorable Steven Mnuchin
Secretary of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Mr. Secretary:

The U.S. Chamber is concerned about reports that the European Union (EU) and individual EU member states may be moving towards adoption of a Digital Services Tax (DST). We applaud your recent statements expressing similar concerns and encourage you to redouble efforts to urge the Europeans to address these issues in appropriate multilateral fora.

We understand there is disagreement at the EU level about the best way to proceed, and that in the absence of action in Brussels, individual European countries are actively contemplating adoption of their own measures. In particular, Spain has included a provision in a budget package under consideration, and the United Kingdom has announced its intent to introduce such a measure in 2020.

Our concerns about these measures are straightforward. First, proposing to tax revenues ignores the costs associated with sales. Such a turnover tax dissuades investment and discourages innovation and entrepreneurship.

Second, these measures improperly target large American technology companies. Proponents have not been shy about their intentions in this regard. Targeting specific companies or sectors would set a dangerous precedent. In addition, “digitally enabled services” is not clearly defined in such measures and risks encompassing an even larger pool of companies.

Finally, proponents have billed such measures as temporary solutions until an international consensus is achieved. To the extent European countries are seeking to generate revenues under the guise of promoting “fair taxation,” it is hard to imagine these taxes being lifted once such an agreement is reached. Moreover, adoption of a DST by one or more member states could prompt similar measures in others.

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The American business community supports international dialogue on ways to modernize the international taxation system to adapt to changes in the global economy. However, unilateral European actions will erode trust and lessen the prospects for international agreement; indeed, we now see governments outside of Europe considering similar actions.

We encourage you and other members of the Administration to reiterate U.S. concerns about any such unilateral moves, and urge your European counterparts to collaborate on consensus measures that respond to taxation concerns without punitively targeting American firms in the process.

Best wishes/

Sincerely,



Enclosures

cc: Mr. Larry Kudlow, Director, National Economic Council
Ambassador Robert Lighthizer, U.S. Trade Representative
Honorable Mike Pompeo, Secretary of State
Honorable Wilbur Ross, Secretary of Commerce
Senator Orrin Hatch, Chairman, Senate Finance Committee
Senator Ron Wyden, Ranking Member, Senate Finance Committee
Representative Kevin Brady, Chairman, House Ways & Means Committee
Representative Richard Neal, Ranking Member, House Ways & Means Committee