



November 15, 2019

The Honorable Michael R. Pompeo
Secretary of State
United States Department of State
2201 C Street NW
Washington, DC 20520

The Honorable Steven Mnuchin
Secretary of Treasury
United States Department of the Treasury
1500 Pennsylvania Ave NW,
Washington, DC 20220

The Honorable Secretary Wilbur Ross
Secretary of Commerce
United States Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20006

The Honorable Larry Kudlow
Director, United States National Economic
Council
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Secretary Pompeo, Secretary Mnuchin, Secretary Ross, Ambassador Lighthizer, and Mr. Kudlow:

On behalf of U.S. industry, we write to raise time-sensitive concerns regarding a Canadian tax proposal that would impose discriminatory requirements on the digital economy. The proposal, found in the 2019 Liberal Party of Canada platform, would undermine U.S. investment in Canada's technology market and threaten compliance with its commitments under the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), and the United-States-Mexico-Canada Agreement (USMCA). We urge you to engage rapidly with your Canadian counterparts to discourage them from proceeding with this proposal.

During the recent election, Canadian Prime Minister Justin Trudeau proposed implementing a digital services tax (DST) similar to the French DST. According to a cost analysis conducted by Canada's Parliamentary Budget Officer, the tax would "replicate" the French measures and impose a 3 percent digital services tax on advertising services and digital intermediation services with global revenue over C\$1 billion (\$755 million) and Canadian revenue over C\$40 million (\$30.4 million). The Parliamentary Budget Officer stated that the implementation date of the tax would be April 1, 2020. We are concerned that the scoping of this proposal purposely targets, and would almost exclusively impact, U.S.-based companies.

We believe that global tax rules should be updated for the digital age, but discriminatory taxes against U.S. firms are not the right approach. Unilateral measures such as the Canadian proposal threaten the progress of multilateral, collaborative work that considers all aspects of the changing global economy.

Canada has historically been a champion of multilateralism, and we are disappointed that they are proposing to undermine the ongoing process at the Organization for Economic Cooperation and Development (OECD) to develop a long-term solution for global taxation that does not disproportionately focus on one sector of the global economy, or single out U.S. companies for unique treatment.

We are particularly concerned that by imposing a DST on U.S. companies, Canada may violate the obligation it has to provide national treatment for U.S. companies under NAFTA and USMCA, and more broadly through the WTO. Our industries strongly support the new commitments made on digital free trade in the USMCA, and are disheartened to see the Canadian Government pursue a measure that goes against the spirit of that new chapter before the agreement has even been ratified.

In order to continue to allow businesses to thrive in both countries, and ensure that Canada continues to comply with its current trade commitments and implement its commitments in the USMCA, Canada should immediately reverse its proposal, and commit to engaging cooperatively in the OECD process. We urge the U.S. government to take action with Canadian counterparts in the very near term. We appreciate the prioritization of this issue.

Sincerely,

ACT | The App Association
Coalition of Services Industries (CSI)
Computer & Communications Industry Association (CCIA)
Computing Technology Industry Association (CompTIA)
Engine
Entertainment Software Association (ESA)
Information Technology Industry Council (ITI)
Internet Association (IA)
Internet Infrastructure Coalition (I2Coalition)
National Foreign Trade Council (NFTC)
Software & Information Industry Association (SIIA)
TechNet
Travel Tech
U.S. Chamber of Commerce

CC: Speaker Nancy Pelosi, Leader Mitch McConnell, Republican Leader Kevin McCarthy, Democratic Leader Chuck Schumer