

US opposes Canada's digital services tax proposal

February 22 2022



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The United States on Tuesday announced its opposition to Canada's proposed tax on the largest tech firms, warning it "would examine all

options" should Ottawa go ahead with the levy.

The United States Trade Representative (USTR) said Canada should instead work towards implementing a global taxation agreement that Organisation for Economic Co-operation and Development (OECD) countries announced last year to defuse the global tech tax row.

"As Canada is fully aware, the United States has serious concerns about measures that single out American firms for taxation while effectively excluding national firms engaged in similar lines of business," USTR said.

It called for Ottawa to "focus efforts on engaging constructively" with the OECD negotiations, "instead of pursuing a counterproductive unilateral measure that risks encouraging other countries to follow suit."

Should Canada go ahead with the tax, "USTR would examine all options, including under our trade agreements and domestic statutes."

Washington has hit out at digital services tax proposals globally, which it says impose discriminatory fees on American tech giants like Amazon, Apple and Google.

In response to USTR, the office of Canadian Finance Minister Chrystia Freeland said Canada's preference has always been a multilateral pact.

"Canada has a clear national interest in this multilateral agreement, which protects against erosion of the tax base and will generate additional revenue" for the country, her office said, in an emailed response to AFP.

"We sincerely hope that the timely implementation of the new international system" will make Ottawa's proposed tax "unnecessary" to

ensure the protection of Canadian interests, it added.

In October, nearly 140 countries reached an agreement on a 15 percent minimum tax under OECD auspices, leading the United States to remove punitive tariffs on several countries ahead of the global tax's imposition, which is expected in 2023.

Those levies were never imposed, but served as a threat to those countries which go ahead with their digital services tax.

Canada's proposed three percent tax "on revenue from certain digital services" would affect companies with at least \$850 million in gross revenues and apply retroactively to the start of this year, though it would not come into effect until 2024, USTR said.

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