

Canada to start taxing tech giants in 2024 despite US complaints

April 17 2024, by Brian Platt, Bloomberg News



Credit: Monstera Production from Pexels

Canada will start applying a proposed tax on the world's biggest technology companies this year, despite threats from American lawmakers to carry out trade reprisals against a levy that will primarily hit U.S. firms.

Legislation to enact the digital services tax is currently before Canada's

Parliament. Once it passes, "the tax would begin to apply for calendar year 2024, with that first year covering taxable revenues earned since Jan. 1, 2022," the Finance Department said in [budget](#) documents published Tuesday.

The tax would be a 3% levy on the digital services revenue a company makes from Canadian users above C\$20 million (\$14.5 million) in a calendar year. It would apply only to companies with annual worldwide revenue of more than about C\$1.1 billion. Alphabet Inc. and Meta Platforms Inc. are among those set to be impacted.

The government points out in the budget that at least seven other countries, including the UK, France, Italy and Spain, already have similar taxes in place.

Canada's parliamentary budget officer has estimated the tax will raise about C\$7.2 billion over five fiscal years.

Finance Minister Chrystia Freeland has said Canada would not enact the tax if a global tax treaty through the Organization for Economic Co-operation and Development is implemented, but so far that treaty has not been ratified by the U.S.

"In view of consecutive delays internationally in implementing the multilateral treaty, Canada cannot continue to wait before taking action," Freeland's department said in the budget.

U.S. lawmakers and [government officials](#) view the tax as unfair to American firms, and have threatened to retaliate if Canada moves forward with it.

"That will be an area of contention unless it is resolved," David Cohen, the U.S. ambassador to Canada, said in a speech last October. "We're

either going to have agreement or we're going to have a big fight."

That same month, U.S. Senate finance committee leaders urged the Biden administration to make clear to Canada that a U.S. response would be immediate if the digital tax was enacted. Business groups on both sides of the border have also asked Freeland to back down on the tax.

2024 Bloomberg L.P. Distributed by Tribune Content Agency, LLC.

Citation: Canada to start taxing tech giants in 2024 despite US complaints (2024, April 17)
retrieved 2 May 2024 from

<https://techxplore.com/news/2024-04-canada-taxing-tech-giants-complaints.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.