

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

October 10, 2023

Ambassador Katherine Tai  
United States Trade Representative  
600 17th Street NW  
Washington, D.C. 20508

Dear Ambassador Tai:

Canada is a neighbor, an ally, and one of our largest trading partners. As reflected in our support for the United States–Mexico–Canada Agreement (USMCA), we strongly back the United States’ economic partnership with Canada. With hundreds of billions of dollars in cross-border trade with Canada every year, non-discrimination and fair competition help that economic partnership endure. Yet, despite the engagement by your office, by other U.S. government officials across the Administration, and by members of Congress, Canada continues to move forward with a discriminatory digital services tax (DST) that targets American businesses. According to the Bureau of Economic Analysis, nearly 8 million Americans work in the digital economy. We must not allow foreign governments to target U.S. companies and the Americans they employ simply because their hard work and innovation have led them to become global leaders in this critical sector.

We appreciate you previously noting that “[i]f Canada adopts a DST, USTR would examine all options . . . .”<sup>1</sup> Regrettably, Canada’s political leadership has not been dissuaded.

*You must now make clear that your office will immediately respond using available trade tools upon Canada’s enactment of any DST.* When you take these steps, you will do so with our full support.

This is not a matter that warrants extensive new analysis. The details and content of this tax are already well known and established. USTR has exhaustively examined nearly identical measures and has convincingly demonstrated why they are discriminatory against the United States. Specifically, like many other DSTs analyzed by your office in various Section 301 reports, Canada’s DST Act uses specific criteria, including global revenue thresholds, to target U.S. companies, and it targets the precise services where U.S. companies are leaders. Moreover, it bears emphasis that Canada’s proposed DST is retroactive to 2022. USTR’s Section 301 report

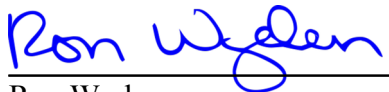
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<sup>1</sup> Office of the United States Trade Representative, Statement by USTR Spokesperson Adam Hodge on Canada’s Digital Services Tax As Described in Canada’s Notice of Ways and Means Motion to Introduce an Act to Implement a Digital Services Tax (Dec. 15, 2021).

on France’s DST correctly observed that “retroactive application [of the DST] is unusual and inconsistent with prevailing tax principles and renders the tax particularly burdensome for covered U.S. companies, which will also affect their customers, *including U.S. small businesses and consumers.*”<sup>2</sup> Thus, Canada’s DST will impact not just large corporations, but also the broader U.S. technology ecosystem.

As we noted, we want the strong economic relationship between the United States and Canada to continue growing. That will become immensely challenging, however, if Canada subjects innovative American companies to arbitrary discrimination without facing any consequences. We stand ready to assist and support you to ensure that you apply the requisite response immediately, if and when Canada may adopt its proposed DST.

Sincerely,



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Ron Wyden  
United States Senator  
Chairman, Committee on  
Finance



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Michael D. Crapo  
United States Senator  
Ranking Member, United  
States Senate Committee on  
Finance

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<sup>2</sup> Office of the United States Trade Representative, *Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974* (Dec. 2, 2019) (underlining removed; italics added).