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United States Requests USMCA Dispute Settlement Consultations on Canada's Digital Services Tax

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WASHINGTON – United States Trade Representative Katherine Tai today announced that the United States has requested dispute settlement consultations with Canada under the United States-Mexico-Canada Agreement (USMCA) regarding Canada's recently enacted digital service tax (DST).

"The United States opposes unilateral digital service taxes that discriminate against U.S. companies. USTR is taking action today to address Canada's discriminatory policies," **said Ambassador Katherine Tai**. "As we pursue these consultations, we will continue to support the Department of the Treasury in the OECD/G20 global tax negotiations to bring a comprehensive solution to the challenge of DSTs."

These consultations concern Canada's Digital Services Tax Act, which is set out in Bill C-59, which was enacted on June 20, 2024. Canada's DST appears to be inconsistent with Canada's commitments under the Cross-Border Trade in Services and Investment chapters of the USMCA not to treat U.S. businesses less favorably than Canadian businesses.

Through these consultations, the United States will continue to work with the Government of Canada to resolve our concerns. If the United States and Canada are not able to resolve the United States' concerns through consultations within 75 days, under USMCA rules the United States may request the establishment of a USMCA dispute settlement panel to examine the matter.

Background:

Today's announcement follows extensive engagement by the United States with the Government of Canada on its DST, including Ambassador Tai's discussions with Canada's Minister of Export Promotion, International Trade and Economic Development Mary Ng. In addition to regular, high level bilateral engagement since 2019, USTR submitted three official comments to the Government of Canada expressing serious concerns about its plan to enact a DST in June 2021, in February 2022, and again in September 2023.

Bill C-59, Canada's Fall Economic Statement, including a section implementing a digital services tax, was enacted on June 20, 2024. The DST entered into force on June 28. The DST applies a 3 percent tax on revenues relating to online marketplaces, online targeted advertising, social media platforms, and user data. The tax applies to companies or groups with annual global revenues of €750 million or more and Canadian digital services revenue of more than CA\$20 million. Canada expects to collect about \$875 million per year from the DST. The DST is retroactive to January 1, 2022, and companies will start paying the tax on June 30, 2025.

In addition to requesting these consultations on Canada's DST, the United States will continue its efforts at the OECD to reach a multilateral agreement to address the challenges to the international tax system posed by an increasingly digitized global economy and prevent the proliferation of discriminatory DSTs.

A copy of the consultation request can be found [here](#).