



Before the
Office of the United States Trade Representative
Washington, D.C.

In re:

Notice of Determination and Request
for Comments Concerning Action
Pursuant to Section 301: France’s
Digital Services Tax

Docket No. USTR–2019–0009

**COMMENTS OF
INTERNET ASSOCIATION**

The internet industry applauds the Office of the United States Trade Representative’s (USTR’s) prompt and decisive finding in response to France’s Digital Services Tax (DST), which specifically targets the U.S. digital sector. With this finding, USTR underscored the importance of an American industry that creates unprecedented benefits for society, generated the largest trade surplus of any industry in 2018, and supporting millions of jobs and businesses of all sizes. USTR’s determination that France’s DST is unreasonable or discriminatory and restricts U.S. commerce is an important step in exercising American leadership to stem the tide of new taxes like this one across Europe and around the world.

Internet Association (IA) represents over 40 of the world’s leading internet companies.¹ IA is the only trade association that exclusively represents leading global internet companies on matters of public policy. IA supports policies that promote and enable internet innovation, ensuring that information flows freely and safely across national borders, uninhibited by restrictions that are fundamentally inconsistent with the open and decentralized nature of the internet.

American-based internet companies are a significant driver of the U.S. economy and U.S. exports. Small businesses and entrepreneurs in every state and every community use the internet to sell and export across the globe. Digital trade now accounts for more than 50 percent of all U.S. services exports. Internet-connected small businesses are three times as likely to export and create jobs, grow four times more quickly, and earn twice as much revenue per employee.² Digital trade and digital trade-enabled businesses contribute more than \$450 billion in exports annually, which helps account for the U.S.’s \$178.3 billion trade surplus in digital services.³

Yet around the world, countries are proposing discriminatory 2 to 7 percent revenue taxes on digital services that U.S. technology firms provide. These DSTs are narrow in scope and are specifically designed to target U.S. digital companies that offer services in these countries. The French DST is expected to hit 29 non-French companies and potentially zero French companies, generating roughly €500 million per year, with significant increases over time.⁴ It is especially troubling that numerous statements by French officials responsible for proposing and enacting the French DST show that the law deliberately targets U.S. companies.^{5,6,7}

¹<https://internetassociation.org/our-members/>

²<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology-media-telecommunications/us-tmt-connecte-d-small-businesses-Jan2018.pdf>

³https://internetassociation.org/files/ia_securing-americas-digital-trade-leadership/

⁴ <https://www.dentons.com/en/insights/articles/2019/july/15/french-digital-services-tax-dst>

⁵ Bruno Le Maire, Speech at the European Parliament, Oct. 19, 2018,

<https://www.europe1.fr/economie/taxationdes-gafa-la-france-peut-elle-convaincre-ses-partenaires-europeens-3784523>

⁶ Bruno Le Maire (@BrunoLeMaire), Twitter, March 27, 2018,

<https://twitter.com/brunolemaire/status/978713609697185792?lang=en>.



By choosing to go-it-alone, France set the stage for a country-by-country approach toward taxation of digital companies. Similar DST's have been either announced or published in Austria, Belgium, Canada, Czechia, Italy, Mexico, Poland, Slovenia, Spain, and the United Kingdom.⁸ As these individual countries consider these discriminatory actions, additional countries throughout Asia and Latin America are tracking and preparing to follow their lead in specifically targeting U.S. tech companies. This is why a strong ruling from USTR was critical and appreciated.

While IA applauds USTR for the strong response, it does not take a position on the impact of the proposed action in the form of additional duties of up to 100 percent on products of France. IA does not have an opinion about any of the individual items found in the preliminary list in the Annex. It is the goal of the digital industry for France to end its discriminatory tax before any additional duties would enter into force and that the proposed duties will not have to be put into place.

Additionally, IA is interested in engaging with USTR about the possibility of a fee on services. Before any fees on services would be announced, IA would hope to be able to review any potential proposal. As is the view on the announced products, it is the goal of the internet industry that France roll back its DST before any fees on French services would be put into place.

IA believes that global tax rules should be updated for the digital age, but imposing discriminatory taxes against U.S. firms is not the right approach. In proceeding with their DST, France took a unilateral approach even as a worldwide solution at the Organisation for Economic Co-operation and Development (OECD) is being developed. IA continues to encourage the U.S. government to keep engaging in the OECD process and to work with France and other nations to get a deal as soon as possible.⁹

The strong finding by USTR against the French DST was an important step in exercising American leadership to stem the tide of new discriminatory taxes around the world. The digital industry now hopes the French government will roll back this discriminatory tax before any escalation occurs. In order to prevent the imposition of new taxes like the French DST, the U.S. must help build a global consensus around developing a modern, fair, and global approach to taxing digital services while continuing to send a strong message to trading partners that targeted, discriminatory taxes against U.S. firms are not an appropriate solution.

⁷<https://www.gouvernement.fr/en/taxation-the-outlines-of-the-gafa-tax-revealed>

⁸<https://taxfoundation.org/digital-taxes-europe-2019/>

⁹ <http://www.oecd.org/tax/beps/>