The proposed Digital Service Tax is a fairly wide-reaching tax which will apply across the digital economy, impacting a variety of organizations who use digital platforms to advertise and sell products and services, among other things. It is applicable to revenues earned from the placement of targeted online advertisements and the provision of digital space for such advertisements. Media whose revenues from such activities meet the revenue threshold would be subject to the tax.

The proposed DST has many unintended consequences that will ripple across the Canadian economy, including, but not limited to, Canadian media. DST liability, including retroactive amounts to 2022, would be incurred on top of the significant Canadian corporate income tax and regulatory fees that these companies already pay. This unilateral, discriminatory tax only adds to the headwinds facing Canadian businesses as they seek to compete with international peers within the context of an uncertain global economy. It would also serve to undermine investment in the Canadian marketplace, stymying new innovative technologies and business models, including supporting the production of local news and Canadian programming. Canada's growth is declining and the last thing that is needed is additional taxes, which will further undermine already declining profitability and competitiveness.

Ultimately, if imposed, the DST will impact the affordability of a variety of digital-based services and will increase the costs for businesses and Canadians when both are facing challenging economic headwinds. This new tax will affect far more than just large multi-national corporations: if enacted, the DST will ripple across the Canadian economy to impact local media, mom-and-pop shops and restaurants, small businesses, rural tourism operators, and independent artisans (primarily women) who help pay the bills through "side hustle" start-ups – not to mention the many Canadians who enjoy picking up some takeout after a long work week or booking a stay-cation close to home.

Successive administrations in Washington have signalled that enacting a DST could provoke damaging trade retaliation, potentially against key sectors of the Canadian economy. We are hearing directly from businesses in many sectors beyond the digital services space who are concerned that their products may be impacted by retaliatory tariffs. In fact, this tax will disproportionately impact businesses with low profit margins because unlike corporate income taxes, digital services taxes are levied on revenues rather than profits. As a result, there is a disproportionate tax burden being placed on companies with low profit margins, such as the online travel sector and Canadian media. As a result, at a very minimum, the Canadian Chamber of Commerce calls for the punitive and retroactive application of the DST to be cancelled, and the introduction of a safe-harbour for low-margin businesses similar to OECD Pillar One, Amount A in which there is a safe harbour provision.

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