



Standing Senate Committee on National Finance  
The Senate of Canada  
Ottawa, Ontario  
Canada, K1A 0A4

**Sent via email:** [nffn@sen.parl.gc.ca](mailto:nffn@sen.parl.gc.ca)

Tuesday, February 13, 2024

Dear Chair,

On behalf of the Travel Technology Association (“Travel Tech”) and our members, I respectfully submit to you the following comments concerning the study of Bill C-59, the *Fall Economic Statement Implementation Act, 2023*. Travel Tech’s comments are directed specifically at the *Digital Services Tax Act (“DSTA”)* included as part of the broader legislation.

We urge the Standing Committee on Finance to consider amendments to the DSTA in light of the concerns highlighted in this submission and remain at your disposal for further consultation as necessary.

The Travel Technology Association (Travel Tech) empowers traveler choice by advocating for public policy that promotes marketplace transparency and competition. Travel Tech represents travel technology innovators ranging from dynamic startups, small, and midsize businesses to leading online travel agencies, metasearch engines, short-term rental platforms, global distribution systems, and travel management companies.

The travel industry has indisputably been through a period of unprecedented turbulence over the last four years because of the global COVID-19 pandemic and economic recession. Government travel restrictions and quarantine orders had an unparalleled impact on the travel industry, making it one of the hardest-hit sectors of the global economy. While travel has surely seen a rebound since 2020, the recovery is very much uneven market-by-market and now faces further challenges due to high-interest rates and inflation-adjusted tourism expenditures globally. In all, the travel and tourism sector in Canada is still far from fully rebounding.

In this context, Canada’s proposed DSTA comes at a time when our membership is largely still in recovery. A new, unilateral, and retroactive tax will negatively impact their operations and ability to empower traveler choice and market competition. If Canada must move ahead with its unilateral DSTA, we submit the following recommendations.



## Travel Technology Association's Recommendations

### **1. Remove the two-year retroactivity of the DSTA and apply it only to revenues that occurred on or after the date fixed by order of the Governor in Council.**

A tax of this magnitude should not be backward-looking, especially after years of good-faith negotiations. Canada should start collecting the tax only after the date fixed by order of the Governor in Council so that multinational organizations can fully analyze its impact after all potential amendments are made to the Act.

This retroactive nature of the tax impacts public companies' financial statement reporting which can impact shareholder and investor confidence.

### **2. Increase the DSTA global revenue threshold to align with OECD Pillar One, Amount A, and include a similar safe-harbor provision (i.e., EUR 20BN revenue and 10% Profit Before Tax margin).**

The global revenue threshold a company must reach to be subject to Canada's proposed Digital Services Tax ("DST") is inappropriately low and inconsistent with the agreed-upon higher threshold of EUR 20BN under OECD Pillar One, Amount A. As OECD members, including Canada, have agreed to the multinational revenue threshold to be in the scope of Pillar One, the thresholds adopted by Canada for its DST should be equivalent to the thresholds adopted at the OECD level. As a result of the current lack of equivalency, many of our members are captured under one threshold but not the other. As the DSTA is meant to be an interim measure until Pillar One comes to fruition, it should be equivalent.

Further, a 10% profit before tax safe harbor should also be included to align with the OECD Framework – this is critical to competition. It is well understood that most businesses operating in the travel and tourism marketplace operate on low profit margins. Introducing a further tax on those low margins without a safe harbor risks instability for our membership. Unlike others that are impacted by the DSTA, our members have little to no ability to pass on this tax to consumers, provided consumers (e.g., potential travelers to Canada) in this marketplace are most notably using travel tech organizations to explicitly seek price comparisons. It is therefore critical that these companies maintain price competitiveness.



### **3. Allow credit for DST, or any similar tax, paid in another jurisdiction to avoid double taxation.**

If Canada ultimately decides to enact a domestic DST, developing countries will likely follow suit and enact similar measures. This “domino effect” of domestic DSTs will add significant complexity to the global international tax framework, creating double or multiple taxation issues.

Indeed, provided there is no international coordination on the enactment of domestic DSTs, the multiplication of unilateral measures will lead to isolated transactions being subject to DST multiple times simply because the users who are being connected on travel technology platforms for a single transaction are not all located in the same country.

We appreciate that the proposed DSTA only imposes DST on 50% of revenue where one of the users are not located in Canada; however, this measure falls short of effectively avoiding double taxation on international transactions, since at least half of the revenue generated in an international transaction remains subject to double taxation if the DST due in the other country is applied to 100% of the revenue.

In addition, the language regarding revenue sourcing rules is ambiguous and confusing. It is unclear which category our members would fall into and/or be excluded from. We therefore encourage you to work with the business community to ensure that those companies required to comply can comply.

Thank you for your consideration of our recommendations.

Sincerely,

A handwritten signature in black ink that reads "Laura Chadwick". The signature is written in a cursive, flowing style.

Laura Chadwick  
President & CEO  
The Travel Technology Association  
[lchadwick@traveltech.org](mailto:lchadwick@traveltech.org)