

Report on Supply Chain Compliance Volume 3, Number 12. June 11, 2020 United States to investigate digital service taxes

By Sascha Matuszak

The United States Trade Representative (USTR) announced^[1] it will investigate regulations that will implement digital taxes to determine if they unfairly target U.S. companies. Along with a European Union-level proposal, there are also digital tax proposals in Austria, Brazil, the Czech Republic, India, Indonesia, Italy, Spain, Turkey and the U.K.^[2]

The USTR faced down France's digital service tax (DST) initiative by threatening billions in tariffs on French products. France agreed it would hold off implementing the law until the end of 2020, but also indicated that the U.S. response was unjust and could trigger a trade war.

The USTR delivered its final report^[3] regarding the DST in December 2019, "concluding that the tax 'is inconsistent with prevailing principles of tax policy and unusually burdensome for affected U.S. companies,' thereby triggering possible tariffs under Section 301 of the Trade Act of 1974." The same regulatory rationale is being used during the current investigation into other digital tax proposals around the world.

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