UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

Peter M. Robinson
President & CEO

October 4, 2019

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin,

The United States Council for International Business[1] is writing to thank you for engaging in the OECD process to reform the international tax rules as part of the effort to address the tax challenges of the digitalizing economy and to urge you to remain committed to this process.

The global financial crisis put a strain on government tax collections and responding to that crisis led to reform, pursuant to the OECD's Base Erosion and Profit Shifting (BEPS) project. BEPS sought to reform the international tax system to better align tax collections with value creation. Despite extensive changes as a result of the BEPS Final Reports (issued in October of 2015), many believe the BEPS project did not adequately address the income tax challenges of the digitalizing economy even though many of the BEPS reforms changed the taxation of all multi-national enterprises, including those that are considered highly digital.

Because of the continuing and extensive digitalization of the economy, countries are increasingly seeking ways to tax the income of companies – many of which are U.S. based multinationals – that earn revenue in a market without necessarily having a traditional physical presence in that market. These efforts have led to a number of unilateral measures, including the French Digital Services Tax (DST) among others. USCIB has objected to unilateral measures and has provided comments pointing out the deficiencies of some of those measures.[2]

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[1] USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. Its members include top U.S.-based global companies and professional services firms from every sector of our economy, with operations in every region of the world. With a unique global network encompassing leading international business organizations, including Business at OECD (BIAC), USCIB provides business views to policy makers and regulatory authorities worldwide and works to facilitate international trade and investment.

[2] USCIB has commented on the EU proposal (on which the French DST is based), a UK proposed DST, and a New Zealand DST. These comments argue for a principles (see BIAC statement of principles) and consensus- based solution. The comments also emphasize the lack of economic analysis behind the DST proposals, the distortive nature of imposing tax on gross revenues, and the difficulty of applying these taxes. Canada has also recently proposed a DST based on the French DST.

USCIB believes that any fundamental changes to the international tax rules should be achieved through a consensus-based process. The best place to conduct that process is at the OECD where over 130 countries are participating in a project to attempt to achieve consensus on possible new rules applicable to the broad digitalized economy. The United States Treasury has, to date, been an active participant in this project, including serving as vice-chair of the steering group.

If the United States Treasury were not to participate in this process going forward, the process would still continue but without the vital perspective of the United States, which would increase the potential for negative impacts on U.S. tax revenues. It is important that Treasury continue to work with the OECD and other countries to achieve the best outcome for U.S. taxpayers, the U.S. Treasury, and the U.S. economy.

Sincerely,

Cc: Lafayette (Chip) Harter, Deputy Assistant Secretary, International Tax Affairs
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