



June 27, 2019

Dear G20 Finance Minister,

On behalf of billions of taxpayers and consumers around the globe, we, the undersigned, urge you to oppose international efforts to weaponize global conversations about digital commerce to tax tech companies. Imposing higher taxes on tech companies would lead to higher prices on consumers and force millions of small businesses to scale back their online advertising activities. Consumers, businesses, and governments would be better served by a light-touch tax and regulatory regime that encourages growth and innovation.



In the aftermath of the June 9th meeting of G20 finance ministers in Fukuoka, Japan, households and businesses across the globe have expressed concern that the proposed “closing of loopholes” in digital taxation will entail higher prices on digital products such as search engines and social media platforms. A December 2018 PwC report found that, by most estimates, a significant share of any new digital tax is likely to be passed onto consumers in the form of higher prices. This does not bode well for the billions of global citizens forging important business connections on Facebook or furthering their educations via Google and countless online academies.



Government meddling in the digital domain would only increase barriers to entry for startups looking to compete with more established tech companies. Virtually every digital service tax proposal envisions a tax based on revenues, regardless of the level of cost that companies incur. Young companies with a sudden influx of consumers and investors may still have growing pains ahead of it, such as network buildout costs and regulatory compliance issues. Taxing these start-ups will make it harder to overcome these challenges and compete for consumers’ attention and dollars.



Countries such as the United Kingdom and Spain will soon implement digital service taxes, and assure their worried citizenries that only the largest, most financially successful companies will foot the bill. Yet in the tech sector, companies can “go viral” very quickly, and the prospect of hitting a “tax wall” can deter investors from making the necessary moves to support the next social media or search engine giant. If digital service taxation becomes a global phenomenon, the tech sector’s upstart culture of innovation will give way to a placid environment dominated by just a few companies.



To keep the digital domain vibrant and responsive to the needs of billions of global consumers, we strongly urge you to oppose any international regime of digital service taxation.

Sincerely,

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