



**FREDERICTON  
CHAMBER  
OF COMMERCE**  
— The Voice of Business —

364 York Street, Suite 200  
Fredericton, NB  
E3B 3P7



10 December 2019

Hon. Bill Morneau  
Minister of Finance  
Department of Finance Canada  
90 Elgin Street  
Ottawa, Ontario K1A 0G5

Via email: [bill.morneau@canada.com](mailto:bill.morneau@canada.com)

Dear Minister Morneau:

**Re: Taxing the Digital Economy**

I'm writing today to bring your attention to a policy resolution sponsored by the Fredericton Chamber of Commerce that was passed by delegates of the Canadian Chamber of Commerce at their annual conference in AGM in September. This means that the resolution is now part of the national chamber's advocacy efforts.

The tax challenges arising from the digitalization of the economy have been identified as one of the main areas of focus of the Base Erosion and Profit Shifting (BEPS) Action Plan of the Organization for Economic Co-Operation and Development (OECD).

As the global economy moves to greater levels of digitization, old models of taxing foreign importers and service providers in Canada may no longer be appropriate to capture a fair amount of tax revenue based on profit generated from Canadian consumers.

The impact of this disparity is that local businesses which are subject to income taxation in Canada as a result of their residency here, have an additional layer of cost which a foreign seller may not. This provides a potential competitive disadvantage to domestic businesses. This also results in the Canadian government needing to look elsewhere for taxation revenues to fund public programs, resulting in a higher tax burden on those that fall within the existing tax net.

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E-mail: [fchamber@frederictonchamber.ca](mailto:fchamber@frederictonchamber.ca) Website: [www.frederictonchamber.ca](http://www.frederictonchamber.ca)

Tel: 506- 458-8006 Fax: 506 451-1119



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Currently the International Chamber of Commerce and the OECD are in the process of developing policy statements and principles on taxation in a digital economy. The OECD issued a public consultation document in March 2019 to solicit commentary on best practices to be included as part of their principles for OECD member countries to use as a guide.

This issue is timely, and as these frameworks are made public, and countries around the world adapt to tax digital commerce within their borders, countries without similar laws will be doubly penalized. Not only will they fail to receive the tax revenue on international commerce for sales to their residents, but their domestic businesses will also be subject to new layers of complexity and taxation when attempting to export through digital means. Canada should prepare to act quickly once international frameworks are published and countries around the world enact their own laws.

The resolution asks the federal government to do two things:

1. Conduct consultations in order to resolve concerns and methods of taxation in the digital economy particularly as the concerns relate to consistency and dispute resolutions.
2. Amend the Canadian Income Tax Act to incorporate international best practices for the digital economy.

Thank you for your department's attention to this matter – we look forward to updates in the near future!

Sincerely,

Krista Ross, CEO  
Fredericton Chamber of Commerce

cc: Hon. Jean-Yves Duclos, President of the Treasury Board, Government of Canada  
cc: Mark Agnew, Senior Director, International Policy, Canadian Chamber of Commerce

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