

November 22, 2021

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin St.
Ottawa, Ontario K1A 0G5

Hon. Minister Freeland,

On behalf of [the Electronic Transactions Association](#) (“ETA”), I would like to offer our congratulations on the Liberal Government’s re-election and your re-appointment as Canada’s Deputy Prime Minister and Minister of Finance. ETA looks forward to working with you to support the continued growth of electronic payments and financial technology (“Fintech”) in Canada.

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient and rewarding payment solutions and lending alternatives. ETA advocates for the payments industry in Canada to help drive innovation in the global market for payments technology services.

ETA supports Canada’s efforts to reach an international agreement on the elements of the landmark two-pillar plan on international tax reform and favours a multilateral solution to the tax challenges arising from the digitalization of the economy. While Canada continues to advance discussions with its international counterparts to implement Pillar One of the OECD tax agreement, the Government has nonetheless committed to introduce legislation this fall to enact a Digital Services Tax (DST) that would take effect in 2024 and would be retroactive to 2022 should international discussions falter.

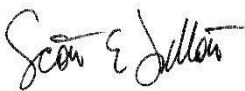
Consequently, as Canada considers its legislative approach to the DST, ETA and its member organizations would like to provide comment on the upcoming legislation to implement the DST and its potential application to electronic payments processing in Canada. While ETA members do not believe that the Canadian DST proposal is intended to apply to the business model of payment and financial services firms, we caution that an overly broad application of the DST proposal would have unintended consequences for Canadian based digitally intensive companies, including the burgeoning FinTech sector.

In the interest of removing any ambiguities that could stifle innovation in payments and Fintech and risk Canada’s post-pandemic recovery, ETA believes that the legislation implementing the DST should include an explicit exclusion for revenue connected to supplying financial and other payment services as well as activities already captured by banking regulation or technology provided to the financial sector to facilitate activities that would otherwise be performed by individuals. Such exclusions would be consistent with the OECD Pillar One Blueprint and would bring Canada’s system in-line with similar jurisdictions that have implemented or proposed a DST, such as the United Kingdom, Italy, France, Spain, and New Zealand. Aligning Canada’s DST with these regimes and making the DST creditable against Canadian income tax would ensure a fairer approach and ensure that Canadian based Fintech companies are not put at a competitive disadvantage to their international counterparts. In keeping with the recommendations above, ETA urges Canada to support in any international agreement a financial services exemption in relation to Pillar 1 that remains broad enough to include those outside of Prudentially Regulated institutions.

FinTech is continuing to help consumers, small business and charities battle and recover from the effects of the pandemic. Canadian customers have become accustomed to accessing their financial accounts from home through either a website or mobile app. ETA members are also working to ensure that Canadians have access to the latest innovations in digital payment solutions, including contactless payments, peer-to-peer (P2P) platforms which allow consumers to transfer funds through mobile phones, and convenient digital “Pay” solutions for customers and SMEs that support commercial activities that will lead to a robust economic recovery. Payment Service Providers (PSPs) also conduct value-added services with the use of data, including to actively detect fraud and deter money laundering activities and financial crime. Ensuring that core payment functions are not subject to onerous and unnecessary new tax provisions will be critical to supporting Canada’s economic recovery and ensuring that new, innovative ways to safely and securely move funds to complete commercial transactions remain available to Canadians.

ETA thanks you for the opportunity to submit these comments and looks forward to working with your office on the implementation of the DST.

Sincerely,



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