TRAVEL TECH
Empowering Traveler Choice

February 7, 2025

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

The Honorable Juan Millan
Acting United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Re: Global Digital Services Taxes (DSTs) and the Travel Technology Industry

Dear Secretary Bessent and Acting U.S. Trade Representative Millan:

On behalf of the Travel Technology Association ("Travel Tech") and our members, we support the Trump Administration's prompt focus on extraterritorial and discriminatory tax measures per its January 20, 2025, Memorandum on the OECD Global Tax Deal. Global Digital Service Taxes (DSTs) are a prime example of such measures, as they disproportionately impose unique and undue burdens on U.S.-headquartered companies, including travel technology companies. We strongly urge the Trump Administration to use all available tools to respond to these discriminatory taxes.

Travel Tech advocates for public policy that promotes market transparency and competition to empower traveler choice. Our members are innovators in travel technology, including online travel agencies ("OTAs"), metasearch engines, short-term rental platforms, global distribution systems, and travel management companies.[1] Travel Tech member companies created the digital infrastructure and Internet-based marketplace from which American and global travelers and travel service providers like airlines, hotels, and car rentals benefit.

It is well understood that most organizations subject to DSTs are U.S.-headquartered. However, DSTs have a disproportionate and outsized impact on travel technology companies, distorting competition and hindering economic growth. DSTs unfairly target Travel Tech members by defining "digital interfaces" in a manner that excludes direct suppliers of travel services that sell the majority of their products/services online like hotels, airlines, and car rental companies, even though both groups are selling the same exact product, such as a hotel room, airline ticket, or

[1] Please refer to the Appendix for descriptions of these travel technology companies.

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car rental. This unequal application of DSTs gives preference to certain travel service providers while penalizing Travel Tech members, who serve as marketplaces connecting consumers to these same providers.

For instance, global hotel brands and other suppliers operating proprietary online platforms are exempt from these taxes, despite functioning as digital interfaces. This creates a significant imbalance, as it results in an unlevel playing field. By exempting large, often multinational travel service providers from DSTs while imposing these taxes on travel technology companies that facilitate marketplace competition, foreign jurisdictions distort competitive dynamics.

Gross Revenue Taxation Disproportionately Affects High-Volume, Low-Margin Businesses

DSTs target gross revenue rather than net income, disregarding differences in business models and cost structures. Travel Tech members typically operate on slim profit margins, facilitating transactions between service providers and consumers, as well as amongst service providers (i.e., B2B transactions), without retaining the majority of revenue. DST legislation is typically based on GAAP gross revenues without any offsets (i.e., business models of Travel Tech companies may have costs directly linked to revenue yet are unable to claim such costs when applying DST legislative framework).

This taxation approach disproportionately penalizes companies in the travel technology sector compared to other digital service providers. For example, for many online travel agencies (OTAs), a 3% gross revenue tax versus an equivalent tax on net income can mean the difference between profitability and operating at a loss.

DSTs impose high revenue thresholds that are inherently discriminatory, predominantly targeting large U.S. technology companies while exempting local OTAs that may fall just below these thresholds. This not only puts U.S. travel technology companies at a disadvantage but also negatively impacts U.S. taxpayers, as the majority of tax relief is provided through corporate income tax deductions, further eroding the U.S. corporate tax base.

DSTs also introduce a wide range of tax rates, from 2% in the United Kingdom to as high as 7.5% with the ability to increase the rate to 15%, in Turkey. These rates presuppose that all digital service providers operate with high profit margins, which is not the case for Travel Tech companies. OTAs and metasearch engines often operate with margins well below these rates, resulting in significant financial strain that can discourage service offerings in taxed jurisdictions, especially when DST charges cannot be passed on to customers, whether due to contract restrictions or restrictions by the jurisdictions.

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Moreover, DSTs increase costs for Travel Tech members not only directly but also indirectly through higher compliance costs and/or advertising fees imposed by larger technology firms, which pass the impact of DST costs onto customers. In addition to absorbing DST costs on their own sales, members also face higher compliance expenses and increased advertising fees imposed by larger technology firms, which pass DST costs onto their partners. They have done this in a range of countries, including the UK, Austria and Turkey, and we can assume they will continue to do so for any new country DSTs too. As a result, online travel companies get 'squeezed' at both ends – paying DSTs directly while also shouldering higher costs from digital platforms that pass on their tax burdens.

These cascading impacts ultimately harm consumers by driving up prices across the travel ecosystem. Elevated operating costs also affect local hotel owners, bed-and-breakfast establishments, and smaller tourism businesses that rely on our members' platforms. As costs rise for major U.S. travel technology companies, smaller operators bear the brunt of these financial pressures, due to multiple layers in the supply chain involved in the travel industry.

Double Taxation and Compliance Challenges

DSTs can lead to double taxation, where multiple jurisdictions impose taxes on the same revenue streams, creating confusion and inefficiency. For example, a traveler based in Country A (which has a DST) booking a hotel in Country B (also with a DST) through a GDS headquartered in Country C faces unclear tax responsibilities, potentially resulting in the same service being taxed multiple times. This complexity not only increases compliance costs but also deters investment and expansion into taxed markets.

Furthermore, the introduction of DSTs requires new tools and metrics to track and calculate taxes based on user location – information which may not be easily accessible for B2B travel technology providers and may conflict with existing data protection standards. The need to collect, translate, and apply legislation, calculate DSTs for multiple business models, as well as manage filings and payments across jurisdictions, significantly increases the administrative burden and compliance costs for travel technology companies.

Undermining Trade Negotiation Efforts and Setting Dangerous Precedents

The imposition of DSTs, particularly by key trading partners, undermines years of negotiations within the OECD and G20 aimed at developing a global consensus on fair digital taxation. While some jurisdictions view DSTs as a temporary solution to perceived tax base erosion, these unilateral actions conflict with the spirit of multilateral negotiations and result in distortive, discriminatory outcomes. DSTs erode the principles of predictability, certainty, and fairness in international taxation, incentivizing a cascade of similar measures worldwide.

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The DST frameworks circumvent existing income tax treaties designed to ensure fairness in international taxation. By sidestepping the concept of permanent establishment, they increase the risk of double taxation and create uncertainty for global business.

Sincerely,

Laura Chadwick
President & CEO
The Travel Technology Association

cc:
The Honorable Jason Smith, Chairman, and Richard Neal, Ranking Member, Committee on Ways & Means, U.S. House of Representatives
The Honorable Mike Crapo, Chairman, and Ron Wyden, Ranking Member, Committee on Finance, U.S. Senate

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APPENDIX

Travel Tech is the leading trade association representing technology-based travel platforms that connect consumers to travel service providers, enabling informed travel decisions. Our members include:

- **Online Travel Agencies (OTAs)** provide competitive marketplaces for consumers to shop, compare, and book travel. OTAs bundle complementary travel offers—such as airline tickets, hotel reservations, and car rentals – saving consumers time and money. They source product offerings and pricing from airlines, Global Distribution Systems (GDSs), wholesalers, and other OTAs.
- **Metasearch Platforms** aggregate travel pricing, availability, and quality information from airlines, hotels, OTAs, and other partners, offering comprehensive comparison tools. These platforms allow travelers to easily compare options across multiple providers, facilitating informed choices and connecting consumers with their preferred booking channels through referral links.
- **Global Distribution Systems (GDSs)** efficiently aggregate, organize, and distribute travel pricing, inventory, and other data from airlines and travel service providers across more than 160 countries into a single portal. GDSs support indirect channels, including OTAs, Brick-and-Mortar Travel Agents, and Travel Management Companies (TMCs), by providing essential data for bookings. Additionally, some GDSs offer software-as-a-service solutions, including reservation systems, commercial and operations tools, agency distribution platforms, and data-driven intelligence solutions, helping airlines manage operations and optimize efficiency.
- **Travel Management Companies (TMCs)** fully manage business travel for individuals, companies, and organizations through negotiated contracts. TMCs utilize both GDSs and direct relationships with travel service providers, including airlines, to secure optimal travel options.
- **Brick-and-Mortar Travel Agents** work directly with consumers on travel planning, comparison shopping, and booking. These agents access pricing and availability information from travel service providers, GDSs, and OTAs to assist consumers in making informed travel decisions.

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