TRAVEL TECH™
Empowering Traveler Choice

March 11, 2025

The Honorable Jamieson Greer
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 U.S. Trade Representative Greer,

The Travel Technology Association (Travel Tech) appreciates the opportunity to submit comments in response to USTR's Request for Comments on Unfair and Non-Reciprocal Foreign Trade Practices (Docket No. USTR-2025-0001). Our comments focus on the discriminatory and non-reciprocal nature of Global Digital Services Taxes (DSTs) imposed by certain foreign jurisdictions. These taxes disproportionately affect U.S.-headquartered travel comparison companies, distort competition, and undermine U.S. economic interests.

Travel Tech advocates for public policies that promote market transparency and competition to empower traveler choice. Our members include travel comparison platforms – businesses that provide consumers with comprehensive tools to search, compare, and book travel services, such as flights, hotels, and rental cars. These platforms, which include online travel agencies (OTAs), metasearch engines, short-term rental platforms, global distribution systems (GDSs), and travel management companies (see the Appendix for a detailed description of each of these categories), have built the digital infrastructure and online marketplaces from which American travelers and travel service providers (airlines, hotels, car rental companies, etc.) benefit.

It is well understood that most companies affected by DSTs are U.S.-headquartered, but DSTs have an outsized impact on travel comparison platforms, distorting competition and hindering growth in the travel industry. Many DST regimes often define "digital interface" in a way that disproportionately applies to travel comparison platforms while excluding large direct travel service providers – for example, taxing the services provided by OTAs and GDSs for facilitating the sale of hotel rooms and airline tickets, but exempting the hotel chain and airlines' own digital sales of the same hotel rooms and airline tickets. This unequal application of DSTs creates a significant imbalance by favoring travel service providers over travel comparison platforms, resulting in an uneven playing field. By exempting large, multinational travel service providers from DSTs while taxing travel technology platforms that connect consumers with those same travel service providers, foreign jurisdictions disproportionately affect U.S. digital firms and distort competitive dynamics.

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Economic Impact on U.S. Travel Tech Companies and Industry Competitiveness

DSTs levy taxes on gross revenues rather than net income, which is especially punitive for high-volume, low-margin businesses like travel comparison platforms. Our members typically operate on slim profit margins – facilitating transactions between travelers and providers – and do not retain most of the revenue that passes through their platforms to travel service providers. Taxing gross receipts at rates of 2–7% as many current DSTs do can easily mean the difference between profit and loss for travel comparison companies. For example,

- **France:** The French 3% DST applies to digital interface services, including travel comparison platforms, while exempting global hotel brands and airlines that operate direct booking channels despite providing identical digital services to consumers.[1]
- **Spain:** The Spanish DST (3%) includes online intermediation services, impacting U.S. travel comparison platforms, while many Spain-based travel firms fall below the revenue threshold and avoid the tax.[2]
- **India:** India's 2% Equalization Levy applies only to non-resident companies, explicitly exempting Indian firms. This tax covers e-commerce services, including online travel platforms that facilitate bookings for Indian consumers, creating a direct tax burden on U.S. travel intermediaries while leaving Indian competitors untouched.[3]
- **Turkey:** Turkey's 7.5% DST is among the highest in the world, disproportionately impacting U.S.-based travel comparison platforms, search engines, and digital services. The tax rate can be raised unilaterally to 15% by decree, increasing business uncertainty for U.S. firms.[4]

Double Taxation and Compliance Challenges

DSTs create double taxation risks by imposing multiple layers of taxation on the same revenue streams across jurisdictions, leading to uncertainty and inefficiencies for travel technology companies. For example, a traveler based in Country A (which has a DST) books a hotel in Country B (which also has a DST) through a GDS headquartered in Country C. In this scenario,

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[1] **U.S. Trade Representative,** *Report on France's Digital Services Tax* (Dec. 2, 2019), https://ustr.gov/sites/default/files/Report_On_France%27s_Digital_Services_Tax.pdf.
[2] **U.S. Trade Representative,** *Section 301 Investigation Report on Spain's Digital Services Tax* (Jan. 6, 2021), https://ustr.gov/sites/default/files/files/Press/Releases/SpainDSTSection301Report.pdf.
[3] **U.S. Trade Representative,** *Report on India's Digital Services Tax* (Jan. 6, 2021), https://ustr.gov/sites/default/files/enforcement/301Investigations/Report%20on%20India%E2%80%99s%20Digital%20Services%20Tax.pdf.
[4] **U.S. Trade Representative,** *Report on Turkey's Digital Services Tax* (Jan. 6, 2021), https://ustr.gov/sites/default/files/enforcement/301Investigations/Report%20on%20Turkey%E2%80%99s%20Digital%20Services%20Tax.pdf.

both OTAs and GDSs may be subject to DSTs in multiple jurisdictions – even though they are intermediaries facilitating a single transaction. At the same time, ordinary corporate income taxes still apply, further compounding the tax burden. Conflicting jurisdictional rules may result in duplicate or excessive taxation, as different countries define taxable transactions and revenue sources inconsistently. This complexity increases compliance costs and creates barriers to market expansion, particularly for U.S. travel technology platform operating across multiple regions.

Furthermore, DSTs require new tracking and reporting mechanisms to determine tax obligations based on user location, a challenge for B2B travel technology providers, which may not collect or retain user-specific data due to privacy and regulatory constraints. Travel technology firms must interpret and apply tax legislation across multiple jurisdictions, each with different definitions of taxable services and revenue. They also need to implement systems to calculate and allocate DST liabilities for various business models and manage compliance filings and tax payments in multiple countries, adding substantial administrative and legal burdens. The result is a costly and fragmented compliance landscape that discourages investment and hinders global competitiveness for U.S. travel technology firms.

Data on DST Costs

The cumulative financial burden of existing DSTs on U.S. digital companies is enormous. The U.S. Trade Representative (USTR) has estimated that American companies would pay roughly $880 million per year in total under certain countries' DST regimes (e.g. ~$45 million under Austria's DST, $55 million under India's, $140 million under Italy's, $155 million under Spain's, $160 million under Turkey's, and $325 million under the UK's).[5] A significant share of these DST liabilities would fall on U.S. travel technology firms operating in those markets. France's 3% DST, one of the first such measures, similarly imposes hundreds of millions in taxes predominantly on U.S. companies.[6] This is revenue taken out of productive use – it could otherwise fund job creation or new technology development at home.

Impact on Jobs and Innovation

In the broader digital economy, these lost revenues translate into lost opportunities for American workers and innovators. A recent industry analysis found that if DSTs continue to proliferate globally, U.S. companies would lose over billions in revenue annually, threatening tens of

[5] **WilmerHale,** *USTR Completes Section 301 Investigations of Digital Services Taxes in Six Jurisdictions* (June 4, 2021), https://www.wilmerhale.com/en/insights/client-alerts/20210604-ustr-completes-section-301-investigations-of-digital-services-taxes-in-six-jurisdictions.
[6] **Cong. Rsch. Serv.,** *Digital Services Taxes (DSTs): Policy and Economic Analysis* (Jan. 8, 2021), https://crsreports.congress.gov/product/pdf/IF/IF11564.

thousands of U.S. jobs.[7] The travel tech sector is part of this threatened ecosystem, and the rapid spread of DSTs amplifies this risk. About half of European OECD countries – 14 out of 27 – have announced, proposed, or implemented DSTs, up from just 9 in 2022, with additional non-OECD nations like India and Brazil joining the trend. Moreover, countries like Turkey, with its current 7.5% DST rate potentially doubling to 15% by decree, also exemplify how quickly these tax burdens can escalate.[8]

When our members face higher foreign tax bills, it means fewer resources to invest in new features, fewer expansions into new markets, and potentially fewer jobs in the United States. Even mid-sized and start-up travel tech firms that are growing rapidly could see their momentum stalled by DST costs, as these taxes reduce revenues that could be used to hire additional employees in the U.S. and make competing in certain countries less viable. Over time, the competitiveness of the U.S. travel and tourism industry could suffer. Online travel platforms have made the U.S. a global leader in travel services, but if those platforms are unfairly taxed abroad, it creates competitive disadvantages that benefit foreign rivals.

Higher Costs for Consumers and Small Businesses

It is important to note that DSTs' costs do not stop at the door of large companies. Because DSTs tax transactions across borders, they create cascading costs that affect the entire travel supply chain. Many large tech firms (*e.g.,* search engines or social media platforms) have responded to DSTs by raising fees for advertising or services, which in turn increases costs for travel businesses that rely on those platforms for customer acquisition.[9] Thus, a Travel Tech member might pay DST on its own revenues and face higher marketing or distribution costs passed down by other tech partners also paying DST – effectively getting taxed twice on the way to making a single sale.

Such added costs inevitably trickle down to travelers and small travel service providers. When online travel agencies and other intermediaries are forced to absorb DSTs, they may need to raise booking fees or reduce the discounts passed to consumers, making travel more expensive for everyday customers. Likewise, local hospitality businesses that depend on digital platforms to reach global customers could see less demand or higher commission fees, because DSTs make the whole marketplace less efficient. In sum, DSTs act as a tax on travel and tourism at large – ultimately harming consumers and employment in the travel sector which relies on a healthy digital marketplace.

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[7] **Comp. & Commc'ns Indus. Ass'n,** *The Global Landscape of Digital Services Taxes* (Mar. 2021), https://ccianet.org/articles/global-landscape-of-digital-services-taxes/.
[8] **Tax Foundation**, *Digital Tax Update: 2024 Digital Services Taxes in Europe*, May 7, 2024, https://taxfoundation.org/data/all/eu/digital-tax-europe-2024/. This source notes that about half of European OECD countries (approximately 14 out of 27) have DSTs announced, proposed, or implemented by 2024.
[9] **Google,** *Country-Specific Taxes and Fees in Google Ads*, https://support.google.com/google-ads/answer/9750227 (last visited Mar. 10, 2025).

DSTs Undermine U.S. Trade Efforts and Sets Bad Precedents

DSTs penalize our members' cross-border operations, undercutting their ability to compete in markets vital to American jobs and economic growth. Countries imposing DSTs set a risky precedent for further discriminatory trade barriers. They represent an analogous barrier to digital trade, effectively taxing electronic commerce in a targeted way. This risks a cascade of retaliatory policies that could destabilize the global digital economy, with U.S. travel tech companies and consumers bearing the brunt.

The first Trump Administration's investigations formally affirmed the above concerns. In January 2021, after examining DSTs in six countries (Austria, India, Italy, Spain, Turkey, and the UK), USTR concluded that each DST "(1) discriminates against U.S. digital companies, (2) is inconsistent with prevailing principles of international taxation..., and (3) burdens or restricts U.S. commerce."[10] Although implementation of those retaliatory measures was suspended pending negotiations, the message was clear – the United States views these taxes as an affront that justifies strong trade countermeasures. In June 2021, USTR again moved to defend U.S. interests by determining additional tariffs (25% on select goods) in response to the DSTs in the UK, Italy, Spain, Turkey, India, and Austria.[11] This action was likewise put on hold in light of ongoing talks. The fact that USTR has gone as far as approving retaliatory tariffs – and published lists of products subject to duties – underscores that DSTs are not a mere tax policy issue, but a significant trade issue demanding vigilance. We encourage USTR to maintain this stance and take affirmative action to protect U.S. companies.

Conclusion:

The travel technology industry is a vital part of the U.S. economy and export base, driving innovation in how consumers plan and experience travel. Our companies connect millions of travelers with travel providers globally, and in doing so, help sustain jobs and economic growth both in the United States and abroad. Yet the advent of Digital Services Taxes threatens to unravel these benefits, by imposing punitive costs on the very intermediaries that foster transparency and competition in travel markets.

DSTs are protectionist in effect, inequitable in principle, and detrimental to the collaborative spirit needed for effective tax reform. We therefore urge the U.S. government to act decisively to protect American businesses and workers from these measures. By strengthening its resolve on

[10] **Cong. Rsch. Serv.,** *Digital Services Taxes (DSTs): Policy and Economic Analysis* (Jan. 8, 2021), https://crsreports.congress.gov/product/pdf/IF/IF11564.
[11] **WilmerHale,** *USTR Completes Section 301 Investigations of Digital Services Taxes in Six Jurisdictions* (June 4, 2021), https://www.wilmerhale.com/en/insights/client-alerts/20210604-ustr-completes-section-301-investigations-of-digital-services-taxes-in-six-jurisdictions.

this issue, whether with renewed investigations under Section 301 or in negotiation over multilateral trade agreements such as USMCA, the United States can both defend its economic interests and steer the world toward a fairer outcome on digital taxation. We stand ready to support the Administration in these efforts and to provide any additional industry data or insights that may be helpful. Thank you for your attention to this urgent matter.

Sincerely,

Laura Chadwick

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

APPENDIX

Travel Tech is the leading trade association representing travel comparison 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.
- **Travel Tech Start-ups and Small and Medium-sized Businesses**, which constitute the newest generation of travel tech innovators. These companies leverage the newest digital technologies to make travel more efficient for consumers and travel service providers alike.