

Canada's digital services tax enters into force

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The *Digital Services Tax Act (DSTA)* entered into force on June 28, 2024, pursuant to an [Order in Council](#) (OIC) of that date. The DSTA was [enacted by Parliament on June 20, 2024](#) as part of [Bill C-59](#).

Bill C-59 provided that the DSTA, along with its regulations and other consequential amendments, would come into force on a date fixed by order of the Governor in Council.

The OIC was issued on June 28, 2024, although it was not publicly announced or posted to a website by the government until July 3. (Orders in council are generally posted within three business days, and are then published in the *Royal Gazette* at a later date.)

Briefly, the digital services tax (DST) is a 3% tax on in-scope revenue (generally, revenue from “online marketplace services”, “online advertising services”, “social media services”, and “user data”, each as defined in the DSTA). The tax applies to individual entities and consolidated groups earning more than €750 million of global revenue. A \$20 million annual deduction is available to be shared proportionately within a consolidated group, with the result that the 3% DST is levied on in-scope revenue above \$20 million. The DST is effectively retroactive: the first year of application is 2024, but the first payment will be for revenue earned from January 1, 2022 to the end of 2024. The first payment and return covering 2022-2024 are due on June 30, 2025. Taxpayers must register under the DSTA by January 31, 2025 if they have \$10 million or more of in-scope revenue (and if they meet the €750 million global revenue threshold).

Many of the key elements of the DSTA are included in the accompanying regulations. As a result, the government has the ability to make significant changes (including to change the applicable rate or remove the retroactivity to 2022) without the need to amend the law in Parliament. This could be done, for example, in response to any retaliatory tariffs or other measures that may be introduced by the United States in response to its concerns about the discriminatory aspects of the DSTA.

For more information about the DSTA, please see our prior Updates, including [December 21, 2021](#) (first draft of the DSTA), [August 10, 2023](#) (revised draft), and [December 4, 2023](#) (final version in Bill C-59, as enacted on [June 20, 2024](#)).

If you have any questions or require additional analysis on the DSTA, please contact any

member of our National Tax Department.