ACT
Association for
Competitive Technology

27 August 2026

The Honorable Chairperson and Members of the Finance, Economy and Planning Committee
National Assembly of the Republic of Korea
1 Uisadang-daero, Yeongdeungpo-gu
Seoul 07233, Republic of Korea

Re: Opposition to the proposed amendment to the Adjustment of International Taxes Act imposing a digital services tax on foreign digital providers (Bill No. 2219551)

Dear Chairperson and Members of the Committee:

The Association for Competitive Technology (ACT) writes to respectfully oppose Bill No. 2219551, introduced by Representative Lee Kang-il and nine co-sponsors, which would amend the Adjustment of International Taxes Act to impose a digital services tax (DST) of up to 2 percent on the gross domestic revenue that large foreign digital providers earn from Korean users. ACT represents the global small business technology developer community. Our members are the independent developers, startups, and small technology firms that build applications and digital services across every industry and that depend on open and predictable access to markets around the world, including the Republic of Korea. We share the goal of a fair and modern tax system, and it is because we share it that we are concerned the proposed DST would work against that goal, would raise costs for the small businesses we represent and for Korean consumers, and would place Korea at odds with both the multilateral tax process and its own recent commitments.[1]

The bill adopts the same gross revenue structure as the digital services taxes enacted elsewhere, including the tax that Canada has since repealed, and reporting indicates that it is aimed at large foreign providers such as global search and streaming companies. A revenue-based tax regime on digital services does not remain with the largest firms, however, since it ripples through the digital economy and reaches the small developers and businesses that can least afford it.[2]

I. A digital services tax reaches far beyond large firms and lands on small developers

Digital services taxes are imposed on gross revenue rather than on profit. As ACT has consistently explained in our engagement on trade and tax policy, a DST functions as another form of tariff on the digital economy, and for the small businesses that rely on the licensing of data, advertising, and

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[1] Bill No. 2219551, 「국제조세조정에 관한 법률」 일부개정법률안 [Partial Amendment to the Adjustment of International Taxes Act] (Rep. Lee Kang-il and nine co-sponsors), National Assembly of the Republic of Korea (introduced June 2026), available at https://likms.assembly.go.kr/bill/main.do (searchable by bill number 2219551).

[2] In-Soo Nam, South Korea's ruling party moves to tax overseas Big Tech on local revenue, KED Global (June 30, 2026), https://www.kedglobal.com/policy/newsView/ked202606300004.

user contributions it can represent a significant portion of operating expenses.[3] These measures are presented as taxes on large technology companies, but they almost always sweep in small technology firms as well.

This happens through two distinct mechanisms.

1. The platforms, marketplaces, advertising networks, and cloud services that fall within the scope of a DST are the same infrastructure that small developers rely on to reach Korean users, and when those services are taxed on gross revenue the cost is passed down to the businesses that use them. Canada's experience with its own DST bears directly on this point. When Canada imposed the tax, major platforms responded by adding cost-recovery surcharges to the advertising and marketplace fees paid by their business customers, including small advertisers and sellers who were never the intended target of the measure. The burden of a DST therefore does not rest with the large firm named in the statute, but is distributed across the many smaller firms that depend on it commercially.
2. Revenue thresholds also offer small firms less protection than they appear to, because a small developer that distributes through a taxed marketplace, monetizes through a taxed advertising network, or relies on taxed cloud infrastructure absorbs the tax indirectly regardless of its own size. For a small business operating on thin margins, even a modest increase in the cost of market access can determine whether it continues to serve Korean customers or withdraws from the Korean market altogether.

II. A unilateral digital services tax undermines the multilateral solution and creates a patchwork that burdens small firms

ACT is a strong supporter of the multilateral effort to address the taxation of the digital economy through the Organisation for Economic Co-operation and Development (OECD) and the G20 Inclusive Framework, and of the goal of keeping unilateral digital services taxes out of the international tax system. That framework exists precisely to avoid a proliferation of uncoordinated national DSTs that tax the same revenue in different ways in different jurisdictions.

Unilateral measures such as the proposed bill undercut that effort, in that they invite double taxation, depart from long-standing international norms allocating taxing rights on the basis of profit rather than gross revenue, and encourage other governments to follow suit. A growing patchwork of country-by-country digital services taxes is the outcome most damaging to small developers, because large multinationals employ tax departments capable of absorbing the compliance cost of dozens of separate national regimes and the small firms ACT represents do not. Every additional unilateral DST raises the fixed cost of selling digital services across borders, and that cost falls hardest on the smallest firms, so a measure adding Korea to the list of

[3] Association for Competitive Technology, *Digital Trade for Small Tech*, https://actonline.org/wp-content/uploads/Digital-Trade.pdf.

jurisdictions with a standalone DST would move in the opposite direction from the one we believe serves Korea's own interests.[4]

III. The proposal is inconsistent with Korea's recent commitments and invites avoidable trade friction

In the Joint Fact Sheet issued on 14 November 2025, the United States and the Republic of Korea committed "to ensure that U.S. companies are not discriminated against and do not face unnecessary barriers in terms of laws and policies concerning digital services, including network usage fees and online platform regulations." A digital services tax structured to fall on foreign providers earning revenue from Korean users sits uneasily with that commitment, and because these taxes are built around high revenue thresholds and revenue sourced to the market country, they fall predominantly on foreign firms, which is why they consistently raise discrimination concerns and why they have repeatedly become the subject of trade disputes. That concern is not merely theoretical. On 26 June 2026, in the same week this bill was introduced, the President of the United States stated that any country enacting a digital services tax would face an immediate tariff of 100 percent on its goods, applied on top of any tariff already in effect and superseding existing trade arrangements. Korea was not among the countries identified in those remarks, and we would urge the Committee not to take a step that would place it among them.[5]

ACT notes that Canada announced on 29 June 2025 that it would rescind its digital services tax and halted collection immediately, and formal repeal followed through Bill C-15, the Budget 2025 Implementation Act, No. 1, which received Royal Assent on 26 March 2026 and repealed the Digital Services Tax Act retroactively to the date it took effect. Canada reversed course after the measure became a serious irritant in its trade relationship and after it became clear that the cost would be borne by consumers and small businesses rather than by the large firms it named, so that Korea would now be adopting a model which the country that originated it has since abandoned and unwound in its entirety. Introducing a discriminatory DST at the very moment that Korea and the United States are working to finalize a mutually beneficial trade and investment relationship risks reopening tensions that both governments have worked to resolve, and it does so for a measure of doubtful benefit.[6]

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[4] Congressional Research Service, *The OECD/G20 Pillar 1 and Digital Services Taxes: A Comparison*, Rep. No. R47988, https://www.congress.gov/crs-product/R47988 (noting that digital services taxes tend to fall disproportionately on U.S. firms and that the OECD/G20 framework contemplates the removal of unilateral DSTs).

[5] Office of the U.S. Trade Representative, Fact Sheet: The United States and Korea Agree to the Korea Strategic Trade and Investment Deal (Nov. 2025), https://ustr.gov/about/policy-offices/press-office/fact-sheets/2025/november/fact-sheet-united-states-and-korea-agree-korea-strategic-trade-and-investment-deal; Joint Fact Sheet on President Donald J. Trump's Meeting with President Lee Jae Myung, The White House (Nov. 14, 2025), https://www.whitehouse.gov/fact-sheets/2025/11/joint-fact-sheet-on-president-donald-j-trumps-meeting-with-president-lee-jae-myung/. On the tariff statement of June 26, 2026, see Trump threatens 100% tariffs on countries putting 'Digital Services Tax on American Companies', CNBC (June 26, 2026), https://www.cnbc.com/2026/06/26/trump-tariff-trade-tech-tax.html.

[6] Department of Finance Canada, Canada rescinds Digital Services Tax to advance broader trade negotiations with the United States (June 29, 2025), https://www.canada.ca/en/department-

IV. The proposal would harm Korea's own developers and digital economy

Finally, we would note that the harm of a DST is not limited to foreign firms and their small business customers. Korea has one of the world's most dynamic developer communities, and Korean startups and small technology firms depend on the same global platforms, advertising networks, and cloud infrastructure to reach customers at home and abroad, so a tax that raises the cost of that infrastructure raises the cost of doing business for Korean developers as well. A unilateral Korean DST would also increase the likelihood of reciprocal measures abroad falling on Korean exporters of digital services and content, a sector in which Korea has become a global leader. The predictable result of the proposal is therefore higher costs for Korean small businesses and consumers together with greater friction for Korean digital exporters, while little of the intended revenue ultimately rests where the bill directs it.

V. Conclusion

We would note that the Ministry of Finance and Economy did not propose a digital services tax in the 2026 tax reform package it announced on 3 August 2026, the international tax provisions of which address the global minimum tax and transfer pricing, these being the coordinated instruments that the multilateral process has in fact produced. In considering this bill the Committee is accordingly not being asked to give effect to a government proposal, but to a measure that the ministry responsible for tax policy has itself declined to advance. For these reasons, ACT respectfully urges the Committee not to advance the proposed digital services tax amendment to the Adjustment of International Taxes Act, and instead to support the continued development of a coordinated multilateral approach through the OECD and the G20 Inclusive Framework. That approach offers Korea a durable and internationally consistent path to address the taxation of the digital economy, one that does not raise costs for Korean small businesses and consumers, does not disadvantage the global community of small developers who serve Korean users, and does not place Korea's valued trade relationships at risk.[7]

finance/news/2025/06/canada-rescinds-digital-services-tax-to-advance-broader-trade-negotiations-with-the-united-states.html; Bill C-15, Budget 2025 Implementation Act, No. 1, Royal Assent March 26, 2026, https://www.parl.ca/DocumentViewer/en/45-1/bill/C-15/royal-assent (repealing the Digital Services Tax Act retroactively); Gowling WLG, Legislation to formally repeal the Canadian DST introduced, https://gowlingwlg.com/en/insights-resources/articles/2025/legislation-to-formally-repeal-the-canadian-dst-introduced.

[7] Ministry of Finance and Economy (재정경제부), 2026년 세제개편안 [2026 Tax Reform Proposals] (Aug. 3, 2026), https://www.mofe.go.kr/; see Samil PwC, Tax News Flash (Aug. 3, 2026), https://www.pwc.com/kr/ko/insights/tax-news-flash/samilpwc_tax-news-flash_260803_kr.pdf (summarizing the package's international tax provisions as addressing the global minimum tax and transfer pricing).

We appreciate the Committee's consideration and welcome the opportunity to serve as a resource as it evaluates this proposal.

Respectfully,

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