July 15, 2026

The Honorable Chairperson and Members of the Strategy and Finance 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

Dear Chairperson and Members of the Committee:

The Association for Competitive Technology (ACT) writes to respectfully oppose the recently introduced legislation that 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.[1] 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. We are concerned, however, that the proposed DST, Bill No. 2219551, 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.

Reporting on the bill indicates that it is modeled on Canada's digital services tax and is aimed at large foreign providers such as global search and streaming companies.[2] A revenue-based tax regime on digital services does not stay with the largest firms. It ripples through the digital economy and affects the small developers and businesses that can least afford it.

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 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.

[1] Bill No. 2219551 to amend the Adjustment of International Taxes Act (also translated as the International Tax Coordination Act), National Assembly of the Republic of Korea, [available at https://likms.assembly.go.kr/bill/bi/billDetailPage.do](https://likms.assembly.go.kr/bill/bi/billDetailPage.do).

[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.

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

They do so in two ways:

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. When those services are taxed on gross revenue, the cost is passed down to the businesses that use them. Korea need only look to the Canadian example on which this bill is modeled. In response to Canada's DST, major platforms added 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 tax. The burden of a DST does not rest on the large firm named in the statute. It is distributed across the many small firms downstream of it.
2. Revenue thresholds do not protect small firms as cleanly as they appear to. 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 be the difference between serving Korean customers and withdrawing 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 like the proposed bill undercut that effort. They invite double taxation, they depart from long-standing international norms that allocate taxing rights based on profit rather than gross revenue, and they encourage other governments to follow suit.[4] A growing patchwork of country-by-country digital services taxes is the outcome most damaging to small developers. Large multinationals employ tax departments that can absorb the compliance cost of dozens of separate national regimes. The small firms ACT represents cannot. Every additional unilateral DST raises the fixed cost of selling digital services across borders, and that cost falls hardest on the smallest firms. A measure that adds Korea to the list of jurisdictions with a standalone DST moves in exactly the wrong direction.

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

In November 2025, the United States and the Republic of Korea jointly committed to ensure that companies are not discriminated against and do not face unnecessary barriers in the laws and

---

[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).

policies governing digital services.[5] A digital services tax structured to fall on foreign providers earning revenue from Korean users sits uneasily with that commitment. 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.

The Canadian precedent on which this bill is modeled is clear. Canada announced the withdrawal of its digital services tax in mid-2025 and formally repealed it, with refunds to affected taxpayers, 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.[6] Korea would be adopting a model that its originator has already abandoned. 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.

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

Finally, we 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. Korean startups and small technology firms depend on the same global platforms, advertising networks, and cloud infrastructure to reach customers at home and abroad. A tax that raises the cost of that infrastructure raises the cost of doing business for Korean developers as well. A unilateral Korean DST also increases the likelihood of reciprocal measures abroad that would fall 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 higher costs for Korean small businesses and consumers and greater friction for Korean digital exporters, with little of the intended revenue ultimately resting where the bill directs it.

V. Conclusion

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 without raising costs for Korean small businesses and consumers, without disadvantaging the global community of small developers who serve Korean users, and without placing Korea's valued trade relationships at risk.

---

[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 ("The United States and Korea commit 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.").

[6] See 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 (describing Canada's DST as a gross-revenue tax on large digital businesses and its subsequent repeal with refunds to affected taxpayers).

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

Respectfully,

Brian Scarpelli
Senior Global Policy Counsel
Association for Competitive Technology (ACT)

Jong Hun Chung
Policy Associate
Association for Competitive Technology (ACT)