

# Canada will scrap tax in push for new trade pact with the U.S.

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by Shipping Telegraph



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**Canada scrapped the digital services tax in a last-minute move to salvage imperilled trade talks with the Americans. The government has rescinded its digital services tax (DST) in a bid to advance trade negotiations with the United States, days after US President Donald Trump called off talks on trade with Canada in retaliation for the levy.**

The finance ministry said the government had decided to “rescind the Digital Services Tax in anticipation of a mutually beneficial comprehensive trade arrangement with the United States.”

Prime Minister Mark Carney said that the cancellation of the tax would put the talks back on track with the goal of reaching an agreement on July 21.

The decision to end negotiations, which have been ongoing for several months, came after Canada announced a digital services tax, Trump said, calling it “a direct and blatant attack on our country.”

Trump said in a Truth Social post on Friday he has put an end to trade talks with Canada and will announce within the next seven-day period the new tariff that they will be paying to do business with the United States of America.

He said he was suspending all trade talks with Canada, with immediate effect.

“We have just been informed that Canada, a very difficult country to trade with, including the fact that they have charged our farmers as much as 400% tariffs, for years, on dairy products, has just announced that they are putting a digital services tax on our American technology companies, which is a direct and blatant attack on our country,” he said.

Trump also added, “They are obviously copying the European Union, which has done the same thing, and is currently under discussion with us, also.”

Canadian prime minister Mark Carney, in a statement on Sunday, said he and Trump have agreed to resume trade negotiations with a view towards agreeing on a deal by July 21.

The Canadian government explained that the DST was announced in 2020 to address the fact that many large technology companies operating in Canada may not otherwise pay tax on revenues generated from Canadians.

The June 30, 2025, collection will be halted, and minister of finance and national revenue François-Philippe Champagne will soon bring forward legislation to rescind the Digital Services Tax Act.

The tax became the latest flashpoint in difficult negotiations between the United States and Canada on Friday.

The finance ministry characterised the negotiations on a new economic and security partnership with the United States as “complex”.