



December 11, 2023

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, D.C. 20220
OTP_Pillar1MLC@treasury.gov

Dear Secretary Yellen:

I write in response to U.S. Treasury's request for public feedback on the new draft OECD/G20 Inclusive Framework Multilateral Convention to Implement Amount A of Pillar One (Pillar One MLC).

Amazon has been a long-time public advocate of the multilateral effort at the OECD to create a consensus-based solution to the tax challenges from the digitalization of the global economy. We believe these efforts will help bring stability to the international tax system.

We greatly appreciate that U.S. Treasury has opened a formal consultation on the recently released Pillar One Multilateral Convention. We believe this is an important opportunity for impacted companies and other key stakeholders to provide actionable, constructive feedback to better inform the final product. As such, we are pleased to provide additional input and insights on this critical issue.

At Amazon, we understand that creating a stable international tax framework requires cooperation from all key stakeholders around the globe, including governments and the business community. We believe that only international cooperation can achieve a durable solution to these complex challenges. Any agreement must address concerns with the current international tax framework, be based on sound principles, and balance the best interest of governments, the business community including small businesses, and consumers. We are confident that a global approach will benefit all countries and support economic growth, and we commend the U.S. government for its work to achieve this goal.

Taxes are an important part of Amazon's economic impact in the U.S. and in all of the countries where we operate. Our tax principles are the foundation to our approach to tax globally¹. We support tax systems that are stable, principled, and administrable. We believe that tax codes should foster innovation, investment, job creation, and growth. We believe that tax laws should support a level playing field and fair competition among businesses in the consumer interest, and should not discriminate against specific industries. We believe that sound tax policy ultimately taxes every dollar of profit only once.

The Pillar One MLC includes a significant amount of detail in the more than 800 pages of documents released in October, which we are continuing to review. We are glad to see that business community feedback has already been incorporated in various sections. It is clear that the tax certainty section has been improved to better reflect business' input, and we believe the dispute resolution framework could provide stability to questions outside of Amount A as well. Increasing tax certainty will reduce compliance costs for

¹ Amazon's tax principles are available at:
https://s2.q4cdn.com/299287126/files/doc_downloads/governance/Amazon's-Tax-Principles.pdf.

taxpayers and tax administrators alike. Similarly, it is evident that the sourcing rules have also been simplified based on business input from earlier drafts, though we believe additional modifications are necessary. We value all the efforts to write workable rules to ensure that tax administrators and taxpayers can implement these rules.

We also strongly appreciate your efforts to support and secure a standstill of digital services taxes (DSTs) in 2021, and we are encouraged by public reporting that U.S. Treasury is seeking to extend that standstill through 2024. Enacting DSTs violates the spirit of international cooperation, and countries should not enact DSTs, particularly while Pillar One is still under negotiations. We appreciate your efforts to convince Canada not to move forward with its discriminatory, retroactive DST, and we ask that you use every tool available to encourage Canada to rejoin the global consensus against DSTs.

Additionally, we would call to your attention that a group of countries agreed to provide credits against future Amount A allocations for DSTs paid in 2022 and 2023, in advance of Pillar One taking effect. In exchange, the U.S. government agreed to remove the threat of retaliatory trade measures under Section 301 of the Trade Act of 1974. That agreement, like the standstill on DSTs, expires at the end of this year, and we encourage U.S. Treasury to work to extend these bilateral agreements while Pillar One negotiations continue.

DSTs and similar unilateral measures are contrary to good tax policy and broadly accepted international tax principles. DSTs risk creating a complex web of overlapping taxes, leading to double or triple taxation. This cost limits our ability to add otherwise more valuable investments in technologies and infrastructure to better serve our customers and enable the growth and success of our local selling partners. We believe DSTs jeopardize cross-border investment, and DST proliferation would set a dangerous global precedent, adding instability to the international tax system and creating damaging global economic consequences.

For Amazon, we operate in a competitive and low-margin global retail market where operating costs play a significant role in company profit margins. Consequently, a tax imposed on gross revenue, rather than profits, has a disproportionate impact on our business, as the effective tax rate from a DST can vary widely depending on a company's profit margins. In our case, low-profit margins lead to a significantly higher effective tax rate from DSTs than a company with a high-profit margin and lead to multiple layers of taxation on a single stream of revenue.

Thank you again for your steadfast leadership on these issues. We believe that the multilateral effort at the OECD and the U.S.' participation in the process is the best way to limit double taxation, prevent the proliferation of unilateral measures, and foster growth in global trade, which is vital to Amazon customers and selling partners around the globe. We look forward to continuing to work with your staff to find a long-lasting solution to these complex global challenges.

Sincerely:

A handwritten signature in blue ink, appearing to read "Kurt Lamp". The signature is fluid and cursive, with a large initial "K" and "L".

Kurt Lamp, Vice President Global Tax

Cc: The Honorable Jason Smith, Chairman, House Committee on Ways and Means
The Honorable Richard Neal, Ranking Member, House Committee on Ways and Means
The Honorable Ron Wyden, Chairman, Senate Finance Committee
The Honorable Mike Crapo, Ranking Member, Senate Finance Committee