Some countries are starting to impose taxes on multinational tech companies based on their digital, rather than physical, presence. In a new primer, AAF’s Director of Fiscal Policy Gordon Gray and Director of Technology and Innovation Policy Jennifer Huddleston explain what digital service taxes (DSTs) are, why DSTs defy international tax norms, and how DSTs could impact consumers and the digital market.

They conclude:

For many nations looking for new sources of revenue, there is perhaps no more attractive target than profitable U.S. tech companies. But in defying tax norms to impose unilateral excise taxes, these nations are asserting a taxing right that amounts to little more than a revenue grab, notionally financed by U.S. firms. In so doing, they also ignore the incidence of these taxes, which will likely be borne by domestic consumers and markets rather than the tech giants targeted. This impact is felt well beyond the borders of the countries instituting such taxes including in the United States’ economy.

Read the primer.