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By Brian Platt, Bloomberg News (TNS)

Canada will start applying a proposed tax on the world's biggest technology companies this year, despite threats from American lawmakers to carry out trade reprisals against a levy that will primarily hit U.S. firms.

Legislation to enact the digital services tax is currently before Canada's Parliament. Once it passes, "the tax would begin to apply for calendar year 2024, with that first

year covering taxable revenues earned since Jan. 1, 2022,” the Finance

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Canada's parliamentary budget officer has estimated the tax will raise about C\$7.2 billion over five fiscal years.

Finance Minister Chrystia Freeland has said Canada would not enact the tax if a global tax treaty through the Organization for Economic Co-operation and Development is implemented, but so far that treaty has not been ratified by the U.S.

“In view of consecutive delays internationally in implementing the multilateral treaty, Canada cannot continue to wait before taking action,” Freeland's department said in the budget.

U.S. lawmakers and government officials view the tax as unfair to American firms, and have threatened to retaliate if Canada moves forward with it.

“That will be an area of contention unless it is resolved,” David Cohen, the U.S. ambassador to Canada, said in a speech last October. “We're either going to have agreement or we're going to have a big fight.”

That same month, U.S. Senate finance committee leaders urged the Biden administration to make clear to Canada that a U.S. response would be immediate if the digital tax was enacted. Business groups on both sides of the border have also asked Freeland to back down on the tax.

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