Germany, UK propose e-commerce tax effort

November 5 2012, by E. Eduardo Castillo

Germany and the United Kingdom on Monday urged the world's biggest economies to form a common front against tax evasion related to internet commerce and other revenue-shifting schemes, and said they received strong support at the meeting of officials from the G-20 nations.

"We've just been discussing it in the meeting we had. There was widespread support," U.K. Treasury chief George Osborne told reporters.

Osborne and German Finance Minister Wolfgang Schauble said they don't want to scare businesses away, but said companies must pay what they owe.

"International tax standards have had difficulty keeping up with changes in global business practices, such as the development of e-commerce," the two said in a joint statement. "As a result, some multinational businesses are able to shift the taxation of their profits away from the jurisdictions where they are being generated."

They said a united approach among the world's largest economy is the best way to fight evasion, without penalizing any single country.

"It's very important that we as individual countries don't price ourselves out of the world economy," Osborne said.

They did not mention which specific accounting procedures might be targeted or what enforcement measures were proposed, but Osborne said the goal was "acting together as the world's largest economies to make sure that international tax standards keep pace with international business."

They said the proposal had been forwarded to the Organization for Economic Cooperation and Development for study, and that team would report back to the Group of 20 finance ministers' next meeting in Moscow in February. Both ministers said they also support the OECD's own "tax-base erosion and profit-shifting" initiative, focused on the same problem.

"What we are doing today is starting a process," Osborne said.

The European financial crisis and the U.S. deficit were among the other main items on the G-20 agenda.

On Monday, Spanish Economy Minister Luis de Guindos said none of the group's ministers had pressured his country to ask for a bailout package, which could come with onerous conditions attached, and he said Spain wouldn't accept any such pressure.

Despite weakness in its banking sector and pressure on government-bond interest rates, De Guindos said Spain "has relatively good liquidity" to see out the year.

Spanish Prime Minister Mariano Rajoy said last week that he saw no immediate need to ask for help, but did not rule it out in the future.

The two-day closed-door meeting comes just ahead of U.S. elections and lacks key players such as U.S. Treasury Secretary Timothy Geithner.

Some delegates in Mexico expressed concern over the fiscal situation in

Washington.

Mexican Treasury Secretary Jose Antonio Meade said over the weekend that the ministers plan to discuss "the fiscal cliff" in the United States, where a package of spending cuts and tax increases is set to take effect unless Congress acts by Jan. 1.

"In recent meetings, the United States has expressed confidence that it will be able to build the political consensuses needed to make adjustments that will send clear signals that a fiscal consolidation is coming," Meade said.

The G-20 brings together the world's principal economies and important emerging ones, including the United States, the European Union, China and Brazil.