

Google loses appeal against French tax searches

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Google's executive chairman Eric Schmidt arrives at the Elysee Palace for a meeting with French President on October 29 in Paris. A Paris appeals court has rejected a request by Internet search giant Google to invalidate the search and seizure of documents by French tax authorities, according to a copy of the decision obtained by AFP.

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Google to invalidate the search and seizure of documents by French tax authorities, according to a copy of the decision obtained by AFP on Friday.

The court rejected Google's arguments against the 2012 tax raid and ordered the US company to cover legal expenses for the appeal.

According to news weekly Canard Enchaîné, French tax authorities have made a billion-euro (\$1.3 billion) claim against Google over financial transfers between Google's Irish [holding company](#) and its French unit for four tax years.

Google France told AFP this week that it had received no such tax claim, and that it complies with tax laws in all the countries in which it operates.

According to the court decision dated August 31, the French tax authorities believe that "the company Google Ireland Limited in practice carries out commercial activities in France using the human and material resources of the company Google France, without making the corresponding tax declarations."

Google reduces the amount of tax it pays in France by funneling most revenue through a Dutch-registered intermediary then to a Bermuda-registered holding Google Ireland Limited, before reporting it in low-tax Ireland.

According to estimates, Google generated between 1.25 billion and 1.4 billion euros in revenue in France last year, primarily from [Internet advertising](#). It paid only a little more than 5 million euros in tax however.

Google also rejected a report by the Canard Enchaîné that the tax issue was brought up during a Monday meeting between French President

Francois Hollande and Google chief [Eric Schmidt](#).

The weekly said the tax claim was being used to pressure Google to compromise in a dispute over compensation to French news media websites.

The websites want the search engine to hand over a percentage of [advertising revenue](#) Google earns from directing users to their [news content](#).

Google has threatened it would remove French media websites from its search results instead of handing over a share the advertising revenue.

Hollande has warned France will adopt a law to settle the dispute if [Google](#) fails to reach an agreement with French media by the end of the year.

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