

French court annuls Google's \$1.27 billion back tax bill

July 12 2017, by Philippe Sotto



In this file photo dated Wednesday, May 17, 2017, Google CEO Sundar Pichai delivers the keynote address for the Google I/O conference in Mountain View, Calif. USA. The Paris administrative court on Wednesday July 12, 2017, in French has annulled a 1.11 billion-euro (US dlrs 1.27 billion) tax adjustment imposed on the Californian firm by France's tax authorities. (AP Photo/Eric Risberg, FILE)

A French court annulled a 1.1 billion-euro (\$1.27 billion) tax adjustment

imposed on Google by France's tax authorities, saying Wednesday that the way the California firm operates in France allows it to be exempt from most taxes.

The French tax administration had argued that Google was required to pay taxes in France for 2005-2010 because the American company and its Irish subsidiary sold a service for inserting online ads to clients in France through its Google search engine.

But the Paris administrative court ruled that Google Ireland Limited doesn't have a "permanent establishment" in France via the French company Google France, another subsidiary of California-based Google Inc.

The court added that Google France doesn't have the human resources or the technical means to allow it to carry out the contentious advertising services on its own.

The French government can appeal the decision.

Google has minimized its tax bill in France and other European countries by keeping its headquarters in Ireland, where rates are lower. The strategy has helped Google boost its profits and stock price.

In their ruling, the judges noted that the ads ordered by French clients could not be put online by the employees of Google France themselves because any ad orders ultimately needed approval from Google Ireland Limited.

During a hearing in the tax case last month, an independent magistrate proposed that the most fitting solution for the dispute was wiping out, but pointed to the "shortcomings of the current legal basis."

France is not the only European country where Google has been at odds with national [tax authorities](#). The company agreed to pay 306 million euros (\$349 million) to settle an ongoing dispute with Italy and 130 million pounds (\$167 million) to settle a case in Britain. A U.K. parliamentary committee has said the settlement seemed disproportionately small given the size of the company's operations in Britain.

Google, Apple, Facebook and Amazon—a group of firms known by the acronym GAF A—have been criticized for their tax-optimizing practices.

Wednesday's ruling comes amid mounting criticism that the tech firms and other major U.S. companies have scrimped on their tax bills through a variety of accounting maneuvers that have rankled governments around the world. Google has said it never broke any laws.

© 2017 The Associated Press. All rights reserved.

Citation: French court annuls Google's \$1.27 billion back tax bill (2017, July 12) retrieved 28 April 2024 from <https://phys.org/news/2017-07-french-court-annuls-google-billion.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.