Amazon hammers out tax deal with France

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US online shopping giant Amazon said it has struck a deal with the French government to settle a bill for nearly 200 million euros ($249 million) in unpaid taxes

US online retailer Amazon said Monday that it had settled a major tax claim in France and would start declaring all its earnings in the country locally, as European officials prepare to tighten the fiscal screws on digital economy giants.

Amazon did not reveal how much it had paid over a French claim for nearly 200 million euros ($249 million) covering the period from 2006 to 2010.

It is one of the American technology giants in the line of fire in Europe over their tax-avoidance strategies, which often seem to route their income through low-tax nations —in Amazon's case, Luxembourg.

French President Emmanuel Macron has proposed a new mechanism for taxing US tech giants that would take into account the volume of sales generated in each European country, rather than on the profits that are booked through low-tax countries.

Amazon announced a similar deal with Italy in December, paying 100 million euros to settle an investigation into suspected tax evasion from 2011 to 2015, while also agreeing to declare its income locally.

In 2012, Amazon revealed that it had been hit with a 198-million-euro tax bill in France for back taxes, interest and penalties relating to income spread between different jurisdictions.

At the time, the company had said it disagreed with the French assessment and vowed to "vigorously" fight it.

In its statement Monday, Amazon said it had created a French subsidiary for its European operations in August 2015, "with all retail revenues, expenses, profits and taxes due now accounted for in France."

The retailer also said it had invested over 2 billion euros in France since 2010, creating more than 5,500 jobs.

'Electroshock' plan

European officials have vowed to make digital economy giants pay a greater share of their taxes in the countries where they earn their profits.

Under current EU law, companies based outside the bloc can declare their earnings from across the 28-nation market in a single country.

That has not led them to pick low-tax nations like Ireland, the Netherlands or Luxembourg—depriving other member states of revenues, even though they may account for a bigger share of the earnings.

The Organisation for Economic Cooperation and Development says such rules cost governments around the world as much as $240 billion (193 billion euros) a year in lost revenue, according to a 2015 estimate.

On Sunday, EU Economic Affairs Commissioner Pierre Moscovici said he would unveil by end March a plan to "create a consensus and an electroshock" on taxing digital economy revenues.

"The idea is to be able to identify the activities of digital companies, so we need a range of indicators—the number of clicks, the number of IP addresses, advertising, and eventually revenues... and then we'll find ways to tax them," Moscovici said.

He said the new rules would apply to giants like Google, Apple, Facebook and Amazon—together known as GAFA—as well as services like AirBnB and Booking.com.

Amazon's settlement comes as it is also facing a court case in France over claims it has abused its dominant position on its "marketplace" platform for third-party vendors.

The finance ministry said in December that it was seeking a fine of about 10 million euros.