

EU readies tax on US tech titans

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The European Union will next week unveil plans for a digital tax on US tech giants like Facebook, Amazon and Google as transatlantic tensions flare over prospects of a trade war.

The move is aimed at recovering billions from multinationals that divert European earnings to low-tax countries, and opens a new front in an offensive by Brussels against Silicon Valley giants.

Brussels proposes "big [tech](#)" should be taxed on overall revenue in the bloc and not just on their profits, at a rate somewhere between two percent and five percent, according to a draft obtained by AFP.

EU Economic Affairs Commissioner Pierre Moscovici says the plan that he will announce on Wednesday will "create a consensus and an electroshock" on taxing digital firms.

But the digital plan may fan fears of a trade war as Brussels prepares to retaliate against US President Donald Trump's moves to impose steel and aluminium tariffs.

The tech titans plan will target companies with worldwide annual turnover above 750 million euros (\$924 million), such as Google, Facebook, Twitter, Airbnb and Uber.

Spared are smaller European start-ups that struggle to compete with them. Companies like Netflix, which depend on subscriptions, may also avoid the chop, a source close to the issue told AFP.

Critics say tax-avoidance strategies used by the California tech giants deprive EU governments of billions of euros while giving them an unfair advantage over smaller rivals.

Under EU law, firms like Google and Facebook can choose to book their income in any member state, prompting them to pick low-tax nations like Ireland, the Netherlands or Luxembourg.

That can mean other nations in the bloc miss out on tax revenue from the US firms, even though sales in those countries may account for a bigger share of the earnings.

Turning the screw

Under the EU plan, revenue from the digital tax would be fairly distributed to where the companies actually operate, according to the level of activity in those countries and not the level of booked profit.

Brussels will unveil the plan on the eve of the March 22 European Union summit in Brussels, which is also set to debate the issue, and ahead of an April G20 meeting of the world's most developed economies.

France, Germany, Italy, Spain and Britain—the five EU G20 members—are pushing first for a European solution that can set an example for the rest of the world.

French President Emmanuel Macron, who is energetically lobbying for a series of reforms to the EU in the wake of the Brexit vote, has been a particularly strong proponent on taking on the big US tech firms.

"Our international partners are not moving fast enough to meet the challenge of digital tax," said Moscovici, a Frenchman.

But for the plan to become reality it must be unanimously approved by all EU countries, and it remains to be seen whether the big states can win the support of smaller ones that offer the tax breaks to the tech titans.

The EU has turned the screw on US tech giants recently, ordering Apple in 2016 to repay 13 billion euros in back taxes to Ireland, and hitting Google with a record 2.4-billion-euro fine in June last year for illegally favouring its shopping service in search results

The EU has repeatedly pledged to crack down on tax avoidance in recent years after the "LuxLeaks" scandal showed how multinationals divert profits through low-tax countries, and the Panama Papers uncovered huge offshore movements.

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