

# EU unveils digital tax targeting Facebook, Google (Update)

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EU proposals for a digital tax follow major anti-trust decisions by the EU that have cost Apple and Google billions and also caught out Amazon

The EU unveiled Wednesday proposals for a digital tax that targets US tech giants, heaping more problems on Facebook after revelations over misused data of 50 million users shocked the world.

The special tax is the latest measure by the 28-nation European Union to rein in Silicon Valley giants and could further embitter the bad-tempered trade row pitting the EU against US President Donald Trump.

EU Economic Affairs Commissioner Pierre Moscovici presented his proposals in Brussels aimed at recovering billions of euros from mainly US multinationals that shift earnings around Europe to pay lower tax rates.

"This current legal vacuum is creating a serious shortfall in the public revenue of our member states," France's Moscovici told a press conference in Brussels.

"We estimate this could generate at least five billion euros a year if the tax is imposed at three percent."

Moscovici insisted it was "not an anti-GAFA tax nor an anti-US tax", referring to the popular acronym for Google, Apple, Facebook and Amazon.

The transatlantic blow has been championed by French President Emmanuel Macron and will be discussed over dinner at an EU leaders summit on Thursday.

## **'Sale of data'**

The unprecedented tech tax follows major anti-trust decisions by the EU that have cost Apple and Google billions and also caught out Amazon.

The EU tax would affect revenue from digital advertising, paid subscriptions and from "sale of data generated from user-provided information", the European Commission said.

The tax lands as EU agencies are also set to tighten rules on data privacy, targeting tech firms. The issue has come to the forefront following revelations that a firm working for Trump's US presidential campaign harvested data on 50 million users of Facebook.

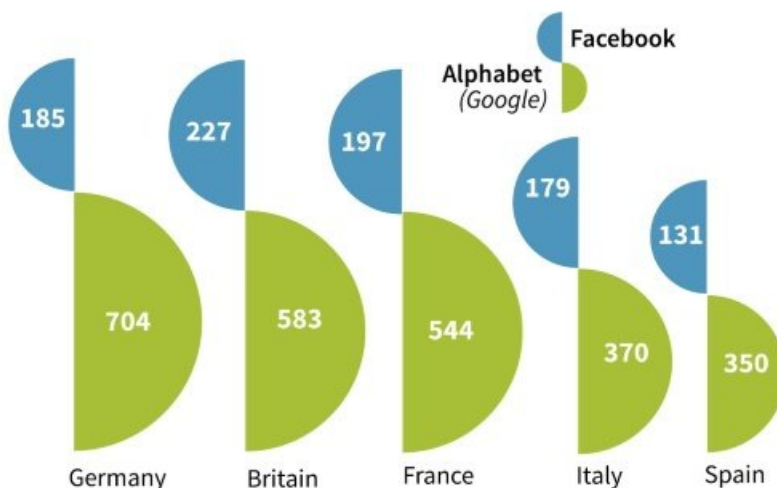
The EU tax plan will target mainly US companies with worldwide annual turnover above 750 million euros (\$924 million), such as Facebook, Google, Twitter, Airbnb and Uber.

Spared are smaller European start-ups that struggle to compete with them.

Brussels is seeking to choke tax-avoidance strategies used by the tech giants that, although legal, deprive EU governments of billions of euros in revenue.

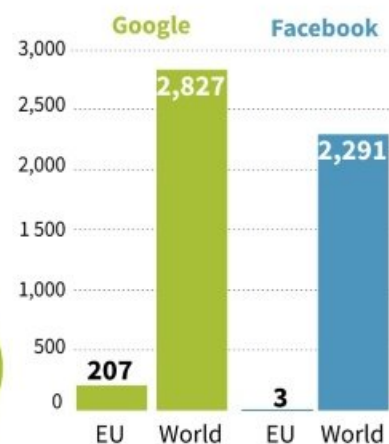
## Internet giants and EU tax revenue loss

Estimated tax revenue loss for 2013-2015  
In millions of euros



Sources: Orbis database (Vandijk), P. Tang

Amount of tax paid in 2015  
In millions of euros



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Tax revenue losses in selected EU member states from Google and Facebook

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.

## **'Populist and flawed'**

The European Commission estimates that digital businesses pay an average effective tax rate of just 9.5 percent, compared with the 23.3 percent paid by traditional companies.

These numbers are, however, disputed by the tech giants, which have criticised the tax as a "populist and flawed proposal".

"The proposed turnover tax aimed at online platforms is discriminatory and ignores the global consensus that the so-called 'digital economy' should not be singled out," said Christian Borggreen of the Computer & Communications Industry Association.

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.

The proposal will now be negotiated by the EU member states, where diplomats said there will difficulty in finding agreement with Ireland and Luxembourg whose companies depend on attracting multinationals.

In a rare joint statement, France, Germany, Italy, Spain and Britain welcomed the commission proposal.

"We now look forward to constructive discussions" among the EU member states "with a view to finding agreement as soon as possible,"

they said.

US Treasury Secretary Steven Mnuchin last week warned Europe against jeopardising the major contribution tech firms make to US jobs and economic growth.

"The US firmly opposes proposals by any country to single out digital companies," Mnuchin said.

Moscovici sought to reassure that "these proposals are neither a response to a French request nor a response against the United States".

The EU has been on tenterhooks amid fears of a global trade war since Trump this month suddenly announced steep duties of 25 percent on steel and 10 percent on aluminium.

The EU's trade commissioner Cecilia Malmstroem is in Washington this week trying to get the bloc exempted. EU President Donald Tusk on Tuesday said the bloc's response would be "responsible and reasonable".

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