France to push ahead with digital tax starting January 1

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France will push ahead with its own tax on large internet and technology companies from January 1, Finance Minister Bruno Le Maire said

Monday, as the European Union struggles to finalise a new EU-wide levy.

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"The tax will be introduced no matter what on January 1 and it will be for the whole of 2019, for an amount that we estimate at 500 million euros ($570 million)," Le Maire told a press conference in Paris.

In addition to taxing direct sales, France will also require the companies to pay a levy on "advertising revenues, websites and the resale of private data," he said, after a meeting with Russia's economic development minister Maxim Oreshkin.

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

Such firms, on average, pay a nine percent levy, compared to 23 percent for other businesses, according to Margrethe Vestager, the EU competition commissioner.

The low tax rates have caused anger among voters in many European countries, but the 28-member bloc is divided on how to tackle the issue.

Ireland, which hosts the European headquarters of several US tech giants, leads a small group of otherwise mostly Nordic countries that argue a new tax could lead to reprisals against European companies and stoke anger in the US.

But Paris argues the measure would be a vote-winning accomplishment for mainstream EU politicians before the European Parliament elections next May, in which anti-Brussels populists could do well.

Any tax changes must be approved unanimously by member states.

'Fully determined'

France and Germany had agreed this month to introduce a scaled-back measure that would come into effect in 2021.

It would set a three percent levy on advertising sales only, and would come into effect only if a broader deal is not reached.

The Organisation for Economic Cooperation and Development, which groups open-market democracies, is trying to forge a global solution to ensure internet groups are taxed in the countries where they do business.

Le Maire said he was still hopeful an EU-wide agreement could be reached by March.

It would target companies with worldwide annual turnover above 750 million euros, mainly US giants such as Facebook, Google, Twitter, Airbnb and Uber.

"We are fully determined to win a unanimous European decision," he said, adding that Paris and Berlin would work together to convince those in Europe still opposed to the tax.

Policymakers across the world have struggled over how to tax the US-based giants who dominate their sectors internationally, but who often route their revenues and profits via low-tax jurisdictions to reduce their liabilities.

EU member states such as Britain, Spain and Italy are also working on national versions of a digital tax, while Japan, Singapore and India are planning their own schemes.

The head of Google France, Sebastien Missoffe, said this month his firm was ready to pay a new tax, but pointed to the difficulty of assessing how much any one country might receive from worldwide advertising.

"The issue isn't one of knowing how much Google will pay, but where Google will pay," he said.

France's move to introduce a tax applicable from January 1 comes as the government is seeking revenue to pay for a series of financial relief measures to ease the "yellow vest" protests which have roiled the country for the past month.

The package will cost around 10 billion euros ($11.3 billion) and push the deficit well above the EU-mandated three percent of GDP unless new cost savings and revenue are found.