France unveils new tax for global internet giants

March 6 2019, by Boris Cambreleng, Francis Curta

France wants to lead the way in making internet giants pay taxes on digital sales where they take place

France on Wednesday introduced a bill to tax internet and technology giants such as Google and Facebook on their digital sales, putting it among a vanguard of countries seeking to force the companies to pay more in the markets where they operate.

The French bill was discussed at cabinet level and will be submitted to parliament in early April.

Speaking to reporters, Economy Minister Bruno Le Maire described the levy as "a first step" in setting up "a 21st century taxation system".

"It's a question of justice for our fellow citizens" and for "our businesses", he said, adding "no one can accept that big digital firms pay 14 percent less tax than our small and medium firms".

"If we want to be able to continue to finance our public services, our day nurseries, our hospitals, our schools, we must tax value where it is created," he added.

The tax, to be applied retroactively from January 1, sets a three percent levy on digital advertising, websites and the resale of private data by internet giants.

It should bring in 400 million euros ($452 million) to the public purse this year, and 650 million by 2022, according to Le Maire—an amount the Le Monde newspaper called "a small sum" but "highly symbolic."

Left-wing politicians denounced the measure as too feeble.

"Bruno Le Maire is taking on these giants with a water pistol," Ian Brossat, a leader of the Communist party, told Liberation newspaper.

French Economy Minister Bruno Le Maire says about 30 companies will be affected

And Manon Aubry, a leader of the France Unbowed party, told France Inter radio it was like "putting a plaster on a wooden leg".

The government hopes the move will catch on abroad despite an earlier failure to reach consensus at the European Union level.

Britain, Spain, and Austria have said they too intend to unilaterally tax the giants, while Japan, Singapore and India are also working on such schemes.

Paris says it is now seeking "common ground" on the issue with fellow members of the Organisation for Economic Cooperation and Development (OECD) in order to reach a worldwide accord.

Talks are ongoing among 127 countries at the OECD in a bid to reach "a consensus-based, long-term solution in 2020," the international organisation said in a statement in January.

An interim report should "be presented to the G20 during 2019," it added, speaking of the group of industrialised and emerging nations.

Fiscal justice

President Emmanuel Macron came to power in 2017 promising to increase levies on global tech and internet groups, seeing their often minimal tax rates as part of a backlash in France and Europe against globalisation.

Having failed to persuade his European partners to introduce an EU-wide tax—because of objections from low-tax jurisdictions such as Ireland and fears of provoking US President Donald Trump—France will now go it alone with its own new mechanism.

Lawmakers worldwide have struggled over how to effectively tax internet giants

The new levy is known as the "GAFA tax" in France—an acronym for US giants Google, Apple, Facebook and Amazon—who have until now routed their sales in France through subsidiaries in low-tax EU members.

In one of the most best known cases, the European Commission concluded that Apple had paid an effective corporate tax rate of just 0.005 percent on its European profits in 2014—equivalent to just 50 euros for every million.

In 2016, it was ordered by the commission to pay 13 billion euros in back taxes to Ireland which were judged to amount to illegal state aid.

Under EU law, internet giants can choose to report their income in any member state, prompting them to choose low-tax nations such as Ireland, the Netherlands or Luxembourg.

Only digital companies with global annual sales of more than 750 million euros and sales in France of at least 25 million euros will be taxed under the new French law.

About 30 companies from the US, China, Germany, Spain and Britain as well as France would be affected, he said.

France's move comes after aggressive action from tax authorities to pursue the companies in the courts, with mixed results.

Apple said last month it had reached an agreement to settle 10 years of back taxes, reportedly for nearly 500 million euros.

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