

G7 ministers agree plan on digital tax but more work ahead

July 18 2019, by Stuart Williams



G7 ministers reached consensus on steps towards taxing the digital giants amid differences between the US and France and Britain.

Ministers from G7 top economies on Thursday reached consensus on steps towards an accord on taxing digital giants, an issue that has divided the United States and its allies Britain and France.

French Finance Minister Bruno Le Maire, who hosted the two-day meeting in Chantilly outside Paris, hailed the consensus as unprecedented, although US Treasury Secretary Steven Mnuchin insisted there was more work to be done.

The French parliament this month passed a law that would tax digital giants for income amassed inside a country even if their headquarters are elsewhere, a move the United States complained discriminated against US firms like Google, Apple, Facebook and Amazon.

Britain has announced plans for a similar tax and the G7 meeting in the tranquil French town—usually famed for its horses rather than horsetrading—was dominated by tough talks to find some common ground.

Le Maire said finance ministers and central bankers had reached an agreement "to tax activities without physical presence, in particular digital activities."

"This is the first time that G7 members agree in principle on this," he told reporters.

'Minimum tax'

France issued a statement saying the G7 had agreed a two-pronged solution—confirming the principle of companies being able to accrue revenues outside their legal base but also on a minimum tax to be agreed internationally for their activities.

Ministers "fully supported a two-pillar solution to be adopted by 2020", the statement said.

"Ministers agreed that a minimum level of effective taxation... would

contribute to ensuring that companies pay their fair share of tax," it said.

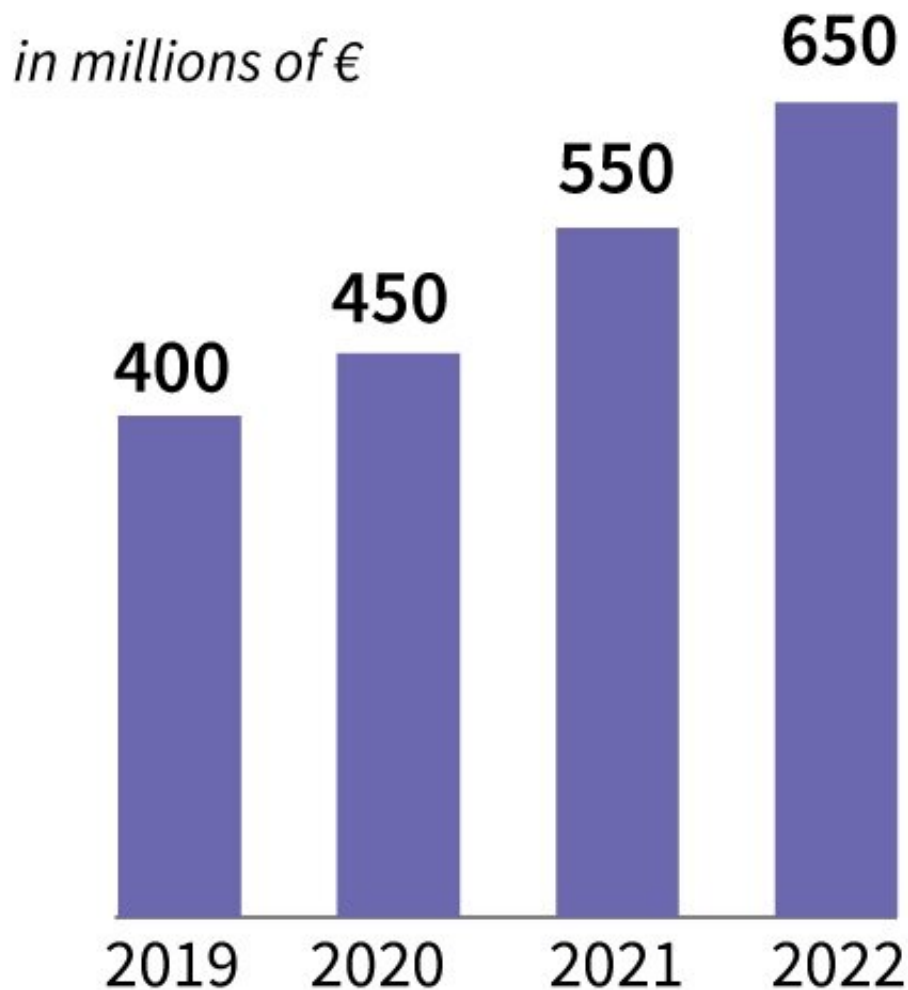
A French official, who asked not to be named, said the tax rate would have to be agreed in the future.

German Finance Minister Olaf Scholz said he was happy with the "progress" achieved and in particular with the reference to the minimum tax level in the final statement.

Further talks would now be needed in the wider context of the G20 group of top economies for an international agreement which would be overseen by the Organisation for Economic Cooperation and Development (OECD).

French tax on tech giants

Government estimates



Source: Economy Ministry

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Forecasts for revenue the French government expects from its tax on tech giants, which it has said it will drop if an international deal is implemented

Scholz expressed hope that a full international consensus could be reached next year under the OECD.

'Step forward'

The French parliament's move infuriated President Donald Trump and the US had announced an unprecedented probe against France which could trigger the imposition of tariffs.

Mnuchin struck a slightly more cautious tone than his French counterpart Le Maire while making clear he was well satisfied with the talks.

"We made some significant progress at this meeting, there is more work to be done," Mnuchin told reporters, adding that ministers had made a "big step in the right direction".

He said the United States has "significant concerns" with the French law and planned British legislation and was pleased that both Paris and London would dump the domestic laws if an international agreement was forged.

"Everyone here wants to reach an acceptable international solution," said Mnuchin. "Creating certainty for global multinationals is very important," he added.

Tim Wach, managing director of global tax consultants Taxand, described the progress as "highly encouraging" and "significant steps" in building a fairer tax system.

"The G7 must avoid conflicting regimes across different countries," he

said.

'Warning on Libra'

The G7 ministers had far less trouble agreeing a position on new cryptocurrencies such as Facebook's Libra, saying such new and untested digital money risked destabilising the international monetary system and were not ready to be implemented.

"They agreed that projects such as Libra may affect monetary sovereignty and the functioning of the international monetary system," the French statement said.

The other key issue at the meeting was finding a replacement for Christine Lagarde, who has led the International Monetary Fund since 2011 but has resigned to become head of the European Central Bank.

Le Maire's European colleagues at the G7 have decided he should lead the search for a candidate from Europe, although no shortlist has been fixed yet, said a European official.

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