US tech industry cool on Trump deal on France digital tax

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US President Donald Trump (L) and French President Emmanuel Macron unveiled an agreement allowing France's digital tax to remain in place until a new global taxation plan takes effect

A US trade group representing major technology firms on Tuesday denounced an agreement on France's digital tax announced by Presidents Donald Trump and Emmanuel Macron that leaves the levy in place until a new international taxation plan takes effect.

The Computer & Communications Industry Association (CCIA) reacted a day after Trump and Macron agreed on a plan that would see France scrap its digital tax once a new international levy being discussed is in place.

"France's unilateral digital tax action aimed at leading American companies is unjustified, and if tolerated, will encourage other countries to follow their example," said Ed Black, the president of CCIA, which counts Google, Amazon and Facebook among the companies it represents.

"We should not support a compromise that would green-light discriminatory taxes against US tech companies for some vague promise of possible partial reimbursement years later."

Jennifer McCloskey of the Information Technology Industry Council, which includes Apple, Google, Amazon and Facebook, said it is important to reach a global agreement quickly on taxation.

"Unilateral proposals that depart from stable, predictable international tax policies and increase the likelihood of global tax policy fragmentation remain unacceptable," McCloskey said in a statement.

"Any agreement between France and the United States must encourage a multilateral approach and avoid the proliferation of unilateral proposals."

Targeting Silicon Valley

France's levy of three percent of revenues of big tech firms which take in at least 750 million euros ($830 million) annually has been criticized in Washington for departing from precedent on taxing revenue instead of profits and for targeting a narrow group of companies.

The French parliament passed the tax in July amid frustration at the slow pace of negotiations on a new global accord that would allocate more tax revenues of large international tech firms outside their home countries.

Under the agreement struck at the G7 meeting of world leaders in Biarritz, French tax authorities will reimburse companies if they paid more than they would have under the yet-to-be-decided international formula, French Economy Minister Bruno Le Maire said.

The agreement appeared to head off a threat by Trump to retaliate with tariffs on French wine, although the US president offered no specifics on his commitment.

Before the agreement, US lawmakers and industry leaders had called for an investigation and potential retaliation for the French tax which affects some 30 companies, mostly from Silicon Valley.

"It is hard to imagine that the US would take no action against France's digital tax targeting US companies," CCIA's Black said.

"It is unclear how US companies would benefit from permitting France to flout its trade obligations."

Google had no comment on Monday's announcement but pointed to previous statements supporting a new global tax treaty while warning of "dangerous repercussions" from the French tax.

Joe Kennedy of the Information Technology & Innovation Foundation, a think tank often aligned with the industry, said there was no assurance a global agreement would be reached anytime soon.

"The administration should reject any deal that allows France and other countries to move ahead with discriminatory taxes on US technology companies," Kennedy said.

"Digital service taxes violate current trade agreements and flaunt the spirit of tax treaties, and accommodating them would be a mistake."

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