

Hopes for 'historic' global corporate tax deal as G7 meets

June 5 2021, by Roland Jackson



Momentum is building for a minimum level of corporate tax to prevent multinationals like tech giants from playing the system to boost profits. .

Finance ministers from wealthy G7 nations are on Saturday expected to announce support for a minimum global level of corporate tax, aimed at

getting multinationals—especially tech giants—to pay more into government coffers hit hard by the pandemic.

According to a draft communique seen by AFP, the finance chiefs and central bankers of the world's seven richest nations will express "strong support" and a "high level of ambition" over the US-backed tax plans.

French economy minister Bruno Le Maire told journalists on Friday evening: "If we have an agreement tomorrow, it will be a historic step forward".

It will also "give considerable momentum to the G20", scheduled to hold a finance meeting in July, he said.

British finance minister Rishi Sunak on Friday chaired the first of two days of meetings, held in person after an easing of COVID-19 restrictions and attended by counterparts from Canada, France, Germany, Italy, Japan and the United States.

The talks were preparing the ground for a broader summit of G7 leaders in Cornwall, southwest England starting on June 11.

US President Joe Biden is set to attend on his first foreign tour since taking office in January.

'Difficult to accept'

Momentum is growing behind the US-led plans to limit the ability of multinationals like tech giants to game the system to boost profits, especially at a time when economies around the world are reeling from the impact of the coronavirus pandemic.

"Before the crisis, it was difficult to understand," a European source told

AFP. "After the crisis, it is difficult to accept."

Corporate tax is one of two pillars in efforts for global fiscal reform, the other being a "digital tax" to allow countries to tax the profits of multinationals headquartered overseas.

"It is increasingly clear that in a complex, global, digital economy, we cannot continue to rely on a tax system that was largely designed as in the 1920s," Sunak said in opening remarks.

"And I would just say this: the world has noticed. And I believe they have high expectations for what we all can agree over the coming days."

According to the draft communique, ministers also plan to commit to "sustain policy support", or stimulus, for "as long as necessary" to nurture [economic recovery](#), while addressing climate change and inequalities in society.

Furthermore, they will urge "equitable, safe and affordable access to COVID-19 vaccines" everywhere.

The thorny topic of the regulation of digital currencies such as bitcoin will also be on the agenda.



According to a draft communique seen by AFP, the finance chiefs and central bankers of the world's seven richest nations will express "strong support" and a "high level of ambition" over a minimum global minimum corporate tax rate.

Agreement 'within sight'

Biden has called for a unified minimum corporate tax rate of 15 percent in negotiations with the Organisation for Economic Co-operation and Development (OECD) and G20.

His proposal has so far won broad support from countries such as France and Germany, as well as the International Monetary Fund.

A deal is "within sight", finance ministers from France, Germany, Italy

and non-G7 member Spain declared Friday.

"We have a chance to get multinational businesses to pay their fair share," France's Le Maire, Germany's Olaf Scholz, Italy's Daniele Franco and Spain's Nadia Calvino said in The Guardian newspaper.

"For more than four years, France, Germany, Italy and Spain have been working together to create an international tax system fit for the 21st century," added the four ministers.

"Now it's time to come to an agreement."

France's Le Maire told journalists in London that Biden's proposed 15 percent is "a minimum. For us, it's a starting point".

Along with its G7 and G20 partners, France wants "a more ambitious level of taxation," the minister said, with the current pandemic crisis showing that "tax evasion, the race towards the lowest possible level of taxation, is a dead end".

'Largely insufficient'

Ireland has expressed "significant reservations" about Biden's plan, however. Its 12.5-percent tax rate is one of the lowest in the world, prompting tech giants such as Facebook and Google to make Ireland the home of their European operations.

The UK-based anti-poverty organisation Oxfam argued that Biden's proposal of 15 percent was too little, with the charity's senior policy officer for France, Quentin Parrinello, telling AFP an agreement without a specific rate "would be a real failure".

Proponents argue that a minimum tax is necessary to stem competition

between countries over who can offer multinationals the lowest rate.

They say that a "race to the bottom" saps precious revenues that could go to government priorities like hospitals and schools.

Britain wants multinationals to pay taxes that reflect their operations, as nations across the world seek to repair virus-battered finances.

Governments worldwide have suffered massive falls in tax receipts during COVID lockdowns, while at the same time having to borrow vast sums to prop up their economies.

© 2021 AFP

Citation: Hopes for 'historic' global corporate tax deal as G7 meets (2021, June 5) retrieved 5 May 2024 from <https://techxplore.com/news/2021-06-historic-global-corporate-tax-g7.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.