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U.S. May Propose Action on French Digital Tax Monday After Probe (3)

By Brendan Murray

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Report concerns French tax on revenue of large tech companies

The U.S. will announce on Dec. 2 what retaliatory action, if any, it will take in response to a digital tax France instituted this year that will hit large American tech companies.

President Donald Trump and France's Emmanuel Macron had agreed in August to try and negotiate a compromise, but a 90-day deadline for talks expired this week without a resolution.

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In a statement Wednesday, the U.S. Trade Representative's office said it would proceed with the investigation and announce its findings on Monday. At that time, it "also will announce any proposed action in the investigation."

France argues that the structure of the global economy has shifted to one based on data, rendering 20th-century tax systems archaic. Macron has said the new digital services tax is meant as an interim gesture until countries agree on a multilateral solution in talks at the Organization for Economic Cooperation and Development.

French Finance Minister Bruno Le Maire, in an interview with AFP, said "it would be incomprehensible to commit to a logic of sanctions and trade war when we have an excellent international accord within reach."

Facebook, Amazon The tax, retroactive to January, affects companies with at least 750 million euros (\$825 million) in global revenue and digital sales of 25 million euros in France. While most of the roughly 30 businesses affected are American, the list also includes Chinese, German, British and French companies.

The law Macron signed imposes a 3% tax on the revenue of technology giants such as Facebook Inc. and Amazon.com Inc. Trump objected to France taxing U.S.-based companies and threatened to impose tariffs on French wine imports in response to France's planned tax.

"These are American companies, and whether you like it or not they're great big American companies," Trump has previously stated. "I'm not happy with the digital tax."

"I've always said American wine is better than French wine!" he added in a tweet.

Even if an agreement is eventually reached between the U.S. and France, the European Union is showing no signs in backing down from its quest to hold tech giants accountable. Margrethe Vestager, currently the EU's antitrust chief, told Bloomberg TV on Wednesday that the bloc will still pursue a digital tax even if a global push fails.

"We are strong believers in a global agreement," said Vestager, who is set to get a broader role as digital affairs czar once the new European Commission takes office in December. "But if that cannot be met, it would only be fair that we pick it up again."

The U.K. is also pushing to implement a similar tax, promising a 2% levy on the revenues of search engines, social media platforms and online marketplaces that "derive value from U.K. users," according to a draft finance bill published July 11.

Canada has also said that next year it would "replicate the proposed digital services tax announced by the French government," according to a September campaign proposal relating to the Liberal Party.
--With assistance from Giles Turner and Natalia Drozdiak.

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(Updates with Le Maire's comments, President Trump's tweets, and background throughout. A previous version of this story was corrected to fix spelling of Macron's first name.)

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