

Learn Your World: France

Career Development



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Economy	GDP (PPP) US$2.8 trillion (2017 estimate)
Population	67.3 million (2018 estimate)
European Tech Stats	According to the European Commission, traditional firms pay a 23.2 percent average tax rate; global tech companies pay a 9.5 percent average tax rate. Paris was ranked the third largest tech community in Europe behind London and Berlin by The State

	of European Tech 2018 report. The value of the EU data economy according to the European Commission was €300 billion in 2016, representing 1.99 percent of the GDP.
Additional Resources	EU Digital Single Market Strategy The State of European Tech 2018 Eurostat

In a bold move against tech giants, France approved a new Digital Service Tax (DST) on July 11, 2019. DST will institute a three percent tax on all sales for companies headquartered outside of France but operating online services within the country. No other EU member state has taken such a hardline stance against the mostly — but not exclusively — US technology companies like Google and Amazon. Approximately 30 businesses are expected to be affected by the law, including Chinese, German, and UK companies.

The tax targets organizations with an overall revenue of €750 million and up, of which at least €25 million is earned in France. The law will apply retroactively, covering all of 2019.

Tech companies have attracted the animus of EU bodies and member states for years. European internet-based businesses often pay less than half of what traditional businesses pay in tax. In 2016, the European Commission ordered Apple to pay €14 billion in back taxes to the Republic of Ireland. The EU General Data Protection Regulation (GDPR) has also hit big tech companies with massive fines in 2018: Google is presently contending a €50 million fine levied by the data protection authority of France.

The US government has reacted to the DST with alarm, opening an inquiry into whether it counts as a punitive tariff — and whether to respond in kind.

In-house counsel involved in transatlantic tech should tread carefully. These are murky waters. At the moment, there is no EU-wide tech tax, and the French government’s posture toward digital companies and tax is radically different from countries like Ireland. One unified European strategy for your company will not be enough and could make you vulnerable to fines and litigation. Diverse strategy, as well as an agile legal team, are key.

Companies in more traditional industries can’t afford to ignore these new trends either. The desire to promote national champions might seem typically Gallic, but it’s a rising trend on both banks of the Rhine (and, for that matter, of the Atlantic). Regulations in industry, data protection, mergers and acquisitions, and environmental impact could turn kaleidoscopic as each European member state pursues its own course. In-house counsel both in and outside Europe must be prepared for that kind of complexity.

Finally, GCs whose companies operate on both sides of the Atlantic should be assessing their ability to last through a trade war. This will require aptness beyond the legal department, but GCs should expect to lead the effort.



Staff

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