Nations open path to break deadlock on taxing digital gaints

Paris vows to scrub levy once global accord is in place

PARIS: The world's wealthiest nations were urged Wednesday to accept a "unified approach" to break the deadlock over taxing the global revenues of digital giants, a dispute that has stoked tensions between the US and several European nations. The OECD group of wealthy democracies published its suggestions to bridge gaps between three competing plans to tax technology firms, which currently shift the bulk of their earnings to low-tax jurisdictions.

Public outrage has grown over the practice, which critics say deprives many nations of their fair share of tax revenue, since digital giants can often pay next to nothing in countries where they rake in huge earnings. France in particular has railed against EU rules that let American heavyweights like Google, Apple, Facebook and Amazon declare their earnings from across the bloc in low-tax havens like Ireland or Luxembourg.

This year it imposed its own tax on digital giants, drawing the ire of US President Donald Trump even though Paris has vowed to scrub the levy once a global accord is in place. The Paris-based Organization for Economic Co-operation and Development is leading the negotiations to reach an accord next year. But for months it has made little headway on reconciling the three competing plans-one backed by Britain, another by the US, and a third by developing countries.

While they all propose spreading taxing rights across countries where a firm does business, "there are nevertheless gaps between the proposals," the OECD said. "Failure to reach agreement by 2020 would greatly increase the risk that countries will act unilaterally, with negative consequences on an already fragile global economy. We must not allow that to happen," the agency's Secretary-General Angel Gurria said. "This is a very good proposal," French Finance Minister Bruno Le Maire said at a Eurogroup meeting of eurozone finance ministers in Luxembourg, adding that "I hope it will provide new momentum."

'Still require work'

OECD officials have said a broad agreement is needed by January if the digital tax is to be approved next year-in which case it would come into effect in 2021. The UK proposal focuses mainly on digital groups, and says any country where a firm has users could impose tax. It largely echoes the Digital Services Tax that London plans to impose next year. The American plan would cover a much broader group of consumer companies with marketing operations in a country-a World Bank analysis has cited Coca-Cola or General Motors as potentially impacted.

PARIS: This file illustration picture shows the US multinational technology and Internet-related services company Google logo displayed on a tablet in Paris. — AFP

The third option would target all companies with a "sustained economic participation" via technology or other means, which could give a greater share of a firm's global tax payment to smaller countries. The OECD said its "unified approach" aimed to take elements from each plan, though it admits that "certain aspects still require further work". The suggestions will be formally presented at a meeting of G20 finance ministers and central bank governors in Washington on October 17 and 18. Governments are under pressure to address widespread public outrage over tech multinationals exploiting global tax rules dating back to the 1920s to pay only cursory taxes on their profits. —AFP

Regulators reject Qatari-backed Deutsche Bank board member

FRANKFURT: In a rare intervention, Deutsche Bank's regulators are blocking a banker backed by its largest shareholder, Qatar, from a seat on the supervisory board because of a conflict of interest, according to two people with knowledge of the matter. The rejection is a further hiccup for the German lender, which has reshuffled management, is cutting thousands of jobs and closing down some businesses in an effort to make a profit.

Deutsche Bank chair Paul Achleitner had announced in August the appointment of former UBS manager Juerg Zeltner, praising him as a valuable addition and "a top-level European banker with proven expertise". Zeltner was also to represent the interests of Qatar's royal family - a top shareholder in the German lender. KBL is controlled by the same family.

Deutsche's regulators - the European Central Bank and financial markets watchdog BaFin - have now determined that Zeltner's position on Deutsche's board would be a conflict of interest because he is also the chief executive officer of KBL European Private Bankers (KBL epb), a business that overlaps with Deutsche's. "It's a done deal. It is now only a matter of finding a face-saving way out," the person said. Deutsche Bank declined to comment. The bank said last month in a statement that all potential conflicts of interest that could arise from Zeltner's activities and his relationship with one of Deutsche's major shareholders had been reported to the supervisory board and the company. —Reuters

Spanish farmers baulk at no-deal Brexit

MADRID: At this time of year, Juan Colomina is preparing for the start of the harvest of thousands of tons of fruit and vegetables grown under plastic in southern Spain and exported to the world. This year he has an added complication - trying to work out which forms are needed to get crops of fresh produce like lettuce and tomatoes through French and British customs in the event that Britain leaves the European Union without a withdrawal agreement.

"Our peak season starts now," said Colomina, head of Coexphal, an association representing more than 9,000 farmers in Almeria, southern Spain, who send dozens of trucks daily to Britain laden with everything from broccoli to watermelons. "We don't know exactly what kind of documentation we'll need until we know what kind of Brexit will happen," he added.

With just three weeks before Britain is due to leave the world's biggest trading bloc, it is still unclear on what terms it will leave or indeed whether it will become the first sovereign state to depart the European project. It's a big unknown causing headaches in farms across Spain, Britain's biggest foreign supplier of fruit and vegetables.

Britain's putative Oct 31 exit date from the EU comes at the height of Spain's export season when the end of the British summer heralds imported tomatoes and lettuce grown in huge industrial greenhouses in the year-round Mediterranean sun. Growers and exporters will have to prepare paperwork to present at borders to smooth the passage of trucks and prevent delays that could turn perishable loads to garbage.

"I can't believe administrations will be so blundering as to say it's all change from one day to the next because no-one is prepared," said Francisco Sanchez, manager of growers' association Onubafruit which represents over 1,000 farmers. Nearly a third of Onubafruit's production - mostly strawberries, raspberries and blueberries - is exported to Britain, selling to supermarket groups like market leader Tesco and No. 2 Sainsbury's.

Both growers and supermarkets fear a change in status of Britain overnight from EU member to default terms of the World Trade Organization (WTO) could lead to huge queues at French ports with delays and millions of euros in losses. The EU accounted for nearly two-thirds of Britain's imports of fruit and vegetables last year, according to the Office of National Statistics. Spain was the biggest foreign supplier of fresh produce, followed by the Netherlands.

In turn, Britain is an important market for Spanish produce - its third biggest - with fruit and vegetable exports worth nearly two billion euros ($2.2 billion) last year. If Britain leaves without a deal, trucks carrying produce from the trading bloc will have to have present customs, sanitary and quality control documents, Spain's Acting Minister of Agriculture, Fisheries and Food, Luis Planas, told Reuters.

Spain had done its preparation, he said, by setting up a process to present documents electronically and working alongside France which tested out its 'smart' border to speed entry into Britain last month. "Our exporters want to sell," the minister said. However, many producers do not have these documents and processes in place, exporters and producers say.

Many do not want to invest in software needed to present the documents electronically in case the no-deal scenario does not happen, said Jose Maria Pozancos, director of Fepex, the Spanish association of producers and exporters of fruit and vegetables. Growers say they speak daily to British supermarkets, but are receiving no guidance from them as to what to expect. The British government has said that in the event of a no-deal Brexit, its priority is to keep goods moving and avoid delays at the border without compromising security.

It has indicated it would minimize checks or simply waive through lorries from EU countries. "The answer to all these questions is 'it depends' because nobody knows what the specifics will be," said Dave Lewis, chief executive of British supermarket chain Tesco. Tesco was working closely with producers, Lewis told Reuters. Sainsbury's declined to comment on specifics. However, it has repeatedly warned of the consequences of a no-deal Brexit. —Reuters