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TAXING THE TECH GIANTS WHY CANADA SHOULD NOT FOLLOW THE FRENCH EXAMPLE

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HIGHLIGHTS

During the 2019 election campaign, the Liberal Party had promised to introduce a 3% tax on the revenues of the Web giants earned in Canada. The revenues concerned are those from targeted advertising and digital intermediation (market place) services, earned by companies with annual global revenues of over \$1 billion, and over \$40 million in Canada, including Google, Amazon, Facebook, and Apple (the “GAFA”). Even if Ottawa recently said it wanted to wait for the completion of the OECD’s work, the approach considered by the federal government deserves to be examined in depth.

Our detailed analysis shows that these tech giants already pay taxes at rates equal or higher than the average large Canadian company. Moreover, the French experience confirms that this tax will likely be paid by Canadian consumers and Canadian businesses, which poses risks to competition and consumer choice.

Chapter 1 – France’s Bad Example

- In France, the introduction of a specific tax on Big Tech companies has been presented to the public as “a matter of justice.” Unable to determine exact profits in a given country, the solution consisted of taxing these companies’ revenues in each country.
- Adopted in July 2019, the French tax applies to revenues from advertising, revenues from intermediation fees realized by marketplaces, and the resale of users’ personal data for advertising purposes. It affects companies with at least €750 million in worldwide revenues and at least €25 million in revenues in France, and applies at the rate of 3% of the revenues.

Chapter 2 – Tax Treatment of the Tech Giants

- We sometimes hear that the Web giants collectively known as the GAFA benefit overall from more favourable tax treatment than big Canadian companies.
- Analysis of the annual results of the GAFA companies rather shows that far from escaping taxation, they are taxed significantly, with a 24% average tax rate on their profits over five-year and ten-year periods.
- The analysis of the effective tax rates on the earnings of large Canadian companies shows that the average

GAFA tax rate is similar or higher. The tax advantage supposedly enjoyed by the GAFA companies is not supported by the facts. The figures even show that it is Canadian companies and the Canadian economy that were favoured in comparison to U.S. companies in the recent past.

- Things changed radically, however, following the reforms implemented by the Trump administration. The issue for Canada is not to implement a tax rate offsetting an alleged tax advantage; rather, the issue lies in the ability to preserve the competitiveness of its economy following the tax cuts established by its neighbour.
- Multiple studies have indicated the negative impact that the corporate income tax can have on economic growth.

Chapter 3 – An Additional 3% Tax Is Not Trivial

- An additional tax on revenues is likely to have adverse effects, according to a logical sequence well-documented by economists and tax specialists.
- Unlike the income tax, which is actually collected on their profits, taxes on revenues are calculated on all of a company’s activities, whether or not these are profitable. This type of tax may therefore make a company unprofitable. Taxes on revenues are among those most strongly criticized by economists.
- The gain in public receipts from the application of the tax on revenues is thus likely to be partially offset by the decline in corporate income tax receipts. Even so, the tax burden on companies is increased, and their profitability reduced.
- The gain for public finances may be diminished further if companies abandon a market where revenues are taxed in favour of more profitable markets. Added to this is the impact on employment, wages, and the economy as a whole.
- The global profit margin of a player such as Amazon over the past ten years is 2.5%, less than the planned 3% tax rate.
- If the tax on digital services had been applied to all the activities of the TSX 60 companies over the past ten years, it would have completely wiped out the profits of nearly one-quarter (22%) of them.

Chapter 4 – A Tax That Will Hurt Canadian Businesses and Consumers

- The digital tax is likely to penalize the Canadian digital ecosystem and Canadian business in general, as well as consumers. The Canadian tax cannot target U.S. companies unilaterally. Such an approach would be deemed discriminatory and could expose Canada to sanctions.
- In France, the levying of a 3% tax on revenues could reduce the profit of a company to zero or even push it into the red. This is hardly likely to encourage the development of lower-margin activities, as is often the case for start-ups active in the digital sector.
- The tax will pose the same problems in Canada. A recent federal government report noted that in 2016, thirteen Canadian companies active in the digital sector had annual revenues exceeding \$1 billion, while 46 others reported revenues of between \$500 million and \$1 billion. These companies could potentially be subject to the tax and could see their profitability diminished or wiped out.
- Economic theory and history have shown that taxes are rarely paid by those we believe are being taxed or whom we would like to tax. Usually, it is the party at the end of the chain, namely the consumer, who bears the burden.
- Major global players—notably the GAFSA companies—are able to pass on most of the cost of the digital tax to their customers, their business partners, or both. According to a recent estimate, more than half (55%) of the total burden arising from the new French tax will be borne by consumers, 40% by companies using digital platforms, and only 5% by Big Tech firms.
- On October 1st, 2019, Amazon raised its commissions in order to offset the extra cost arising from the French digital tax. American companies can thus be expected to adjust their services and prices in response to the prospective Canadian tax.
- Some digital companies will find it difficult to pass on the impact of the tax to their business partners or consumers. By putting Canadian players that have yet to achieve critical mass in a weaker position, the tax could favour the existing large American companies.

- By complicating the economic equation for traditional companies that seek to turn themselves into digital players, the tax could help maintain the gap between traditional and digital businesses, penalizing our economies once again.

Chapter 5 – International Risks to Trade and Public Finances

- Despite precautions taken by the French authorities, U.S. authorities have initiated proceedings under Section 301 of the *Trade Act of 1974*.
- After the World Trade Organization (WTO) authorized the United States to impose sanctions on the European Union, the country targeted France and French wine in particular. The United States also threatened the imposition of tariffs of up to 100% on French imports like champagne, cheese, yogurt, and cosmetics.
- The French experience is likely to speed up and add credibility to the rewriting of international tax rules under OECD leadership. This possibility should not be taken lightly. For example, in France, the gains from taxing digital companies will probably be partially offset by a decrease in tax receipts from large French groups that have a foreign presence.
- Canada's federal government would do well to come up with a precise assessment of whether the additional receipts from taxing the revenues of foreign companies operating in Canada will offset the reduction in receipts from Canadian companies operating in the rest of the world.

Despite the phenomenal success of the GAFSA companies, we should keep in mind that they have followed the tax rules that apply to all businesses, including the rule that taxes on corporate profits are generally paid in the country of origin. The main difference between the GAFSA and other multinationals is that their growth has been more explosive and their success more disruptive to established business models.

The GAFSA are in a better position than less mature companies to pass the bill on to consumers. Increasing the tax burden of digital firms could deter both the arrival and growth of new players, and prove to be a strong barrier to competition.

INTRODUCTION

During the fall 2019 election campaign, the Liberal Party promised to introduce a 3% tax on the revenues of the Web giants earned in Canada. The revenues targeted are those from targeted advertising and digital intermediation (marketplace) services, earned by companies with annual global revenues of over \$1 billion, and over \$40 million in Canada. This notably includes Google, Amazon, Facebook, and Apple, collectively referred to by the acronym “GAFA.”¹

According to the Parliamentary Budget Officer (PBO), such a tax would bring in \$540 million for the federal government the first year it was in effect. Tax revenue could climb to \$730 million by the fourth year (see Table I-1), and eventually exceed the \$1-billion mark. However, the PBO itself admits that this estimate “has high uncertainty.”²

As in France, this tax would be in effect until the OECD member countries agree upon a form of taxation of the revenues of the tech giants, the main principle being that they would pay taxes on their profits in the countries where they generate their revenues.³

In Quebec, Premier François Legault has expressed his reluctance regarding the implementation of a form of

taxation on the Canadian activities of these companies before the OECD unveils its final proposal, saying he would prefer to see a new regime adopted by all the OECD countries at the same time.⁴ In mid-December, Canadian Prime Minister Justin Trudeau said he too wants to wait until the OECD has completed its work, with this organization aiming to reach a global agreement by June 2020.⁵

The French experience shows that this kind of tax causes more problems than it resolves, and even risks being counterproductive for the Canadian economy.

Despite the recent restraint displayed by Ottawa, the approach planned by the federal government, similar to the one that has just been adopted in France, deserves to be analyzed in detail. Indeed, the French experience shows that while taxing foreign companies can be politically tempting, this kind of tax causes more problems than it resolves, and even risks being counterproductive for the Canadian economy.

Table I-1

Expected tax receipts from the taxation of the revenues of large technology companies in Canada				
Period	2020-2021	2021-2022	2022-2023	2023-2024
Millions of \$	540	600	660	730

Source: Office of the Parliamentary Budget Officer, “Cost Estimate of Election Campaign Proposal, Taxation of large technology companies,” Parliament of Canada, September 29, 2019.

1. Philippe-Vincent Foisy, “Les libéraux veulent imposer les géants du web, dont Netflix,” Radio-Canada, September 29, 2019; Liberal Party of Canada, *Forward – A Real Plan for the Middle Class*, September 29, 2019, p. 79.

2. Office of the Parliamentary Budget Officer, “Cost Estimate of Election Campaign Proposal, Taxation of large technology companies,” Parliament of Canada, September 29, 2019.

3. Joël-Denis Bellavance, “Trudeau entend taxer les géants du web... et augmenter la dette,” *La Presse+*, September 30, 2019; L’express, “Taxe Gafa : l’accord France-États-Unis a-t-il sauvé le vin français?” August 27, 2019.

4. Tommy Chouinard, “Taxer Google : François Legault appelle à la prudence,” *La Presse*, 10 décembre 2019.

5. Rania Massoud, “Taxation des géants du web : Trudeau repousse l’échéance,” Radio-Canada, December 13, 2019; Agence France-Presse, “Taxation des géants du numérique : l’OCDE vise un accord mondial d’ici juin,” Radio-Canada, October 18, 2019.

CHAPTER 1

France's Bad Example

France has taken an energetic approach since 2017 in order to introduce a tax on “digital giants” across Europe, or failing that, at the national level. This demand was put forth by Bruno Le Maire, Minister of the Economy and Finance since May 2017, following the election of Emmanuel Macron as French President and the appointment of Édouard Philippe as Prime Minister.

Mr. Le Maire has missed no opportunity to advance this goal. An intense public relations operation was deployed by the minister, who made this his key issue. The introduction of a specific tax on Big Tech companies has been presented to the French public as “a matter of justice.”⁶ It was a question of “refusing to allow the digital giants to pay taxes in Europe at a rate 14 points below that of other companies and manufacturing businesses.”⁷ The minister issued numerous reminders of this alleged tax differential, in speeches and in speaking to the press.⁸ Officially, the goal was to ensure that “the GAFAs companies pay taxes at an appropriate rate.”⁹ Unable to determine exact profits in a given country, the solution, in his view, consisted of taxing these companies’ revenues in each country.

From a political standpoint, the approach taken by the Minister of the Economy and Finance was quite bold. Although supposedly business-friendly, Mr. Le Maire has thus taken up themes that are dear to those he once opposed. For decades, parts of the French political class have repeatedly attacked multinational companies in general and American multinationals in particular. After declining in the 1990s, this opposition has recently found new momentum. Non-governmental organizations, increasingly active in the public debate, have taken up this battle anew as part of the fight against globalization and related inequality.

From a public finance perspective, Mr. Le Maire’s approach could also seem ingenious. Over the years,

France has become one of the world’s most highly taxed countries. Government revenues amounted to 54% of GDP in 2018. This outsized level is matched only in oil-extracting countries, whose revenues are unlikely to dry up due to tax pressure. France ranks just behind Libya, Kuwait, and Norway, where public revenues account for 63%, 58%, and 55% of GDP respectively.¹⁰ One would think that devoting such a large portion of the economy to public revenues would be more than enough to balance the public accounts, but this is not the case. In France, the last time the budget was balanced was 1974. At that time, public revenues and public spending each amounted to 40% of GDP. Since then, spending has risen by 16 points (to 56% of GDP in 2018), while revenues went up by 14 points (to 54% in 2018). The result has been a sixfold increase in relative debt in less than two generations, from 15% of GDP in 1974 to 98% in 2018.¹¹

The introduction of a specific tax on Big Tech companies has been presented to the French public as “a matter of justice.”

The French government, incapable of producing balanced budgets, is continually seeking additional revenues. It has shown enormous creativity in tax matters, taking approaches that find ever less favour among businesspeople and taxpayers,¹² as shown by the “yellow vest” movement.¹³ In this context, creating a tax on

6. Ministry of the Economy and Finance, “Réconcilier les deux France,” 5th Summit on the Economy, Speech by Bruno Le Maire, Minister of the Economy and Finance, December 6, 2018.

7. Ministry of the Economy and Finance, Speech by Bruno Le Maire, Minister of the Economy and Finance, Bercy, November 16, 2018.

8. See for example Ministry of the Economy and Finance, “Vœux à la presse,” Speech by Bruno Le Maire, Minister of the Economy and Finance, January 14, 2019.

9. Hervé Gattegno, “Fiscalité des GAFAs : Bruno Le Maire annonce une directive européenne à venir,” *Le Journal du Dimanche*, March 3, 2018.

10. According to the IMF. World Economic Outlook Databases (WEO), October 2019.

11. Eurostat figures.

12. France rediscovered spontaneous movements against social charges and taxes under the presidency of François Hollande. September 2012 marked the start of a revolt led by young entrepreneurs challenging a rise in the tax on capital gains realized in the sale of their companies (the “pigeon” movement). They were imitated by other category-based movements: the “sparrows,” the “sheep,” the “bees,” the “chicks,” the “shorn” and the “yellow caps.” In 2013, Pierre Moscovici, then Minister of the Economy and Finance, spoke of “tax discontent,” but new tax proposals did not end there. The protests grew in scope with the “red caps” (2014). See, for example, Jean-Marc Daniel, *Les impôts : Histoire d'une folie française*, Tallandier, 2017, or Jean-Baptiste Noé and Victor Fouquet, *La révolte fiscale*, Calman Lévy, 2019.

13. Late in 2018, the tax revolt resumed under the presidency of Emmanuel Macron with the “yellow vests,” a movement sparked by taxes on diesel fuel used by motorists. For an analysis of this movement, see Jérôme Fourquet, “La fin de la grande classe moyenne,” Fondation Jean-Jaurès, May 15, 2019. For a description of French fuel taxes, see Nicolas Marques and Cécile Philippe, *La fiscalité sur les carburants et les cigarettes. Comment l'automobiliste et le fumeur ont été transformés en « vaches à lait » avec 60 milliards de taxes*, Institut économique Molinari, October 2019.



digital players who are not paying their “fair share” of taxes could seem to be an obvious move. It was possible initially to avoid noticing that this approach will penalize French businesses and consumers, although it turns out that a large proportion of people in France are indeed aware of the flaws of the digital tax.¹⁴

Taxing revenues rather than profits is not a neutral choice. France is a leader in levying taxes upstream from profits. Special taxes on a whole array of economic areas (insurance, mutuals, sugar, tobacco, etc.) have proliferated. Overall, the production taxes it collects are on the order of €105 billion, as much as in 23 European Union countries combined (including Germany).¹⁵ Revenues generated through these levies account for 4.5% of

For decades, parts of the French political class have repeatedly attacked multinational companies in general and American multinationals in particular.

French GDP, compared to the European Union average of 2.3%. Although experience has shown that these taxes have a detrimental effect on the economy and/or on French consumers, the adoption of these specific taxes has met with little resistance.

Failure in Europe and Implementation in France

The Minister of the Economy and Finance was initially counting on Europe-wide taxes on revenues from online advertising, platform intermediation, and data resale. This tax was to represent between 2% and 6% of the revenues of the companies targeted,¹⁶ a figure later set

14. Though 64% of French people favour the GAFA tax, 67% think it will raise the prices of goods and services provided by the companies concerned, 51% think calling a tax on these companies the “GAFA tax” is demagogic, 48% think the tax will hinder the innovative capabilities of companies in France, 48% think the tax will harm employment in France, and 47% think it will prevent the emergence of serious competitors to the major international players. Jean-Daniel Lévy, “Les Français et la taxe sur les entreprises du numérique,” Harris Interactive, March 6, 2019.

15. See for example Nicolas Marques and Cécile Philippe, *op. cit.*, footnote 13, p. 15.

16. Hervé Gattegno, “Fiscalité des GAFA : Bruno Le Maire annonce une directive européenne à venir,” *Le Journal du Dimanche*, March 3, 2018.

at 3%. It was to be formalized in a directive based on a joint proposal issued by Paris, Berlin, Madrid, and Rome, presented in September 2017 at an informal council of EU finance ministers.¹⁷ The tax was to bring in from €3 billion to €4 billion, with €500 million of this for France, disregarding the negative effect related to a mechanical decline in corporate income tax revenues or to slower growth in the tax base.

Despite intense lobbying and the support of European Commissioner Pierre Moscovici, this approach failed. It was not fully supported by the Germans, who feared the U.S. would respond by taxing German cars. It was fought by Ireland and by the Scandinavian countries, especially Sweden, which wants to protect Spotify, its digital giant and global leader in music streaming. Lacking unanimity, Bruno Le Maire fell back on a more modest approach at the European level, all while moving to act in France in 2019.

The French government, incapable of producing balanced budgets, is continually seeking additional revenues.

During debate on the finance bill for 2019 (the equivalent of the budget in Quebec or at the Canadian federal level), Mr. Le Maire said he wanted to “tax the digital giants starting in 2019” with a tax on “revenues from advertising, revenues from intermediation fees realized by marketplaces, and the resale of users’ personal data for advertising purposes.”¹⁸ The French tax, finally adopted in July 2019, applies retroactively to January 1st of that year.¹⁹ It affects companies with at least €750 million in worldwide revenues from the services covered by the tax and at least €25 million in revenues in France. It applies at the rate of 3% of the revenues in question.

The tax was originally supposed to bring in €500 million, but the net gain for 2019 was lowered to €400 million

due to its adverse effect on corporate tax revenues.²⁰ It is expected to bring in €459 million in 2020,²¹ €550 million in 2021, and €650 million in 2022,²² according to French government forecasts.

17. Reuters, “Une proposition européenne pour taxer les ‘GAFAs,’” September 9, 2017.

18. Ministry of the Economy and Finance, Speech at second reading of the 2019 finance bill, National Assembly, December 17, 2018.

19. Legifrance, *Loi n° 2019-759 du 24 juillet 2019 portant création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés*, *Journal officiel de la République française*, July 25, 2019.

20. The tax, levied on revenues rather than profits, will cause a decline in profits and, accordingly, in corporate income tax receipts. As the minister explained, “This will have the effect of reducing the amount of this tax by up to one-third for companies paying their taxes in France.” Boris Cassel and Séverine Cazes, “Taxer les géants du numérique, une question de justice fiscale,” *affirme Bruno Le Maire*, *Le Parisien*, March 2, 2019.

21. Ministry of the Economy and Finance, *Baisser les impôts, préparer l’avenir*, 2020 finance bill, September 27, 2019.

22. Albéric Montgolfier, *Rapport fait au nom de la commission des finances sur le projet de loi, adopté par l’Assemblée nationale après engagement de la procédure accélérée, portant création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés*, French Senate, May 15, 2019, p. 68.

CHAPTER 2

Tax Treatment of the Tech Giants

We sometimes hear that the Web giants collectively known as the GAFAs benefit overall from more favourable tax treatment than big Canadian companies. Some media have even reported that their actual tax rate is between 0% and 5%.²³ Is this true? To answer this question, we compared the effective rates of taxation on the GAFAs companies with those paid by Canada's biggest companies. This leads to two conclusions: first, that the GAFAs are taxed significantly; and second, that this tax treatment is similar to that of Canadian companies.

The GAFAs Pay Substantial Taxes

Analysis of the annual results of the GAFAs companies provides a concrete view of their corporate income tax contributions. It shows that far from escaping taxation, the GAFAs are taxed significantly, with a 24% tax rate on their profits over five-year and ten-year periods.

Their annual results, reported under rules set by the U.S. Securities and Exchange Commission (SEC), the federal body that regulates and controls the financial markets, indicate their pre-tax profits and their provisions for taxes on these profits. They present the effective tax rates for each fiscal year, allowing for the calculation of average tax rates over five and ten years (see the Annex).

Table 2-1 presents an aggregation of the data for Google (Alphabet), Apple, Facebook, and Amazon for the past five and ten years. It shows that their corporate income tax burden amounted to US\$188 billion from 2009 to 2018 on profits of US\$780 billion, producing an average tax rate of 24% for the past ten years. The rate for the past five years is the same.

If we examine the year-by-year results (see Table 2-2), we see significant variations between 2017 (31%) and 2018 (15%). This sharp decline is related to the adoption by the U.S. Congress of the *Tax Cuts and Jobs Act* on December 22, 2017. This law profoundly reformed

corporate taxation in the United States.²⁴ The picture of actual tax rates for the next five or ten years could therefore be quite different from what has prevailed in recent years. If so, this will stem from the application of a new tax system that is more favourable to all U.S.-based companies rather than being due to preferential treatment of the Web giants. The Canadian response to this real problem should be to lower the tax rate on companies operating on its territory.

Far from escaping taxation, the GAFAs are taxed significantly, with a 24% tax rate on their profits over five-year and ten-year periods.

Taxation of the GAFAs companies is also higher than what might have been expected. According to OECD tax specialists, the average effective corporate tax rate was 20.5% in 2017 for all countries and industries taken together.²⁵ This shows that, far from escaping taxation, the GAFAs bear a significant portion of it. But how do the actual tax rates of the U.S. Big Tech companies stack up against those of Canadian firms?

The GAFAs Tax Rate Is Similar to or Higher Than That of Large Canadian Companies

Have the GAFAs companies benefited from more favourable tax treatment than what large Canadian companies have had over the past five or ten years? To answer this question, we analyzed the effective tax rates on the profits of the largest Canadian companies, looking at those listed on the TSX 60.

The analysis shows that the average GAFAs tax rate is similar to or higher than that of large Canadian companies

23. Annick Poitras, "Comment imposer les géants du Web?" *L'actualité*, November 1st, 2019.

24. The statutory corporate tax rate was lowered from 35% to 21% as of 2018. Certain deductions were eliminated or capped (such as interest payments on loans), but in return companies are now allowed to deduct from their taxable base the entire cost of their investments other than real estate until 2022. This reform marks the transition to a territorial system for multinationals. The taxation of profits realized abroad by multinationals is eliminated, and accumulated profits previously held abroad are subject to a one-time tax of 15.5% (8% for illiquid assets). Provisions were implemented to tax "super profits" realized abroad through intellectual property and to fight the erosion of tax bases. See for example Tax Foundation, "Preliminary Details and Analysis of the Tax Cuts and Jobs Act," Special Report, No. 241, December 2017.

25. OECD, *Corporate Tax Statistics, First Edition*, 2019, p. 17. Going by the average statutory corporate tax rates noted in the OECD study, the figure was 21.4% in 2018, compared to 28.6% in 2000 (page 8). If we remove jurisdictions with a zero rate, the respective figures are 23.7% and 32.2% (page 11).

Table 2-1

GAFAs effective tax rates, 5 years and 10 years				
Company	Calculation period	Pre-tax profit, US\$	Tax paid on profit, US\$	Effective tax rate
Alphabet Inc. (GOOGL)	5 years	124 billion	30 billion	25%
	10 years	184 billion	43 billion	23%
Apple Inc. (AAPL)	5 years	324 billion	78 billion	24%
	10 years	495 billion	122 billion	25%
Facebook Inc. (FB)	5 years	70 billion	15 billion	21%
	10 years	76 billion	18 billion	23%
Amazon.com, Inc. (AMZN)	5 years	20 billion	5 billion	22%
	10 years	25 billion	6 billion	24%
Aggregate of the GAFAs	5 years	538 billion	127 billion	24%
	10 years	780 billion	188 billion	24%

Note: Data taken from results ending December 31, 2018, for Alphabet, Facebook, and Amazon, and September 29, 2018, for Apple. Calculations of effective tax rates by the authors. See the Annex for details and data sources.

Table 2-2

GAFAs aggregate effective tax rate by fiscal year, 2009-2018			
Year	Pre-tax profit, US\$	Tax paid on profit, US\$	Effective tax rate
2018	144 billion	22 billion	15%
2017	116 billion	36 billion	31%
2016	102 billion	24 billion	24%
2015	100 billion	26 billion	26%
2014	76 billion	20 billion	26%
2013	69 billion	17 billion	25%
2012	70 billion	18 billion	25%
2011	49 billion	12 billion	24%
2010	32 billion	8 billion	24%
2009	22 billion	6 billion	27%

Note: Data taken from results ending December 31, 2018, for Alphabet, Facebook, and Amazon, and September 29, 2018, for Apple. Calculations of effective tax rates by the authors. See the Annex for details and data sources.

Table 2-3

Comparison of effective tax rates of the GAF A and TSX 60 companies		
Average tax rates	5 years	10 years
GAF A 4 (United States)	23%	24%
TSX 60 Canadian companies	20%	17%
Discrepancy	3%	7%
Total taxes paid / Total pre-tax profits		
	5 years	10 years
GAF A 4 (United States)	24%	24%
TSX 60 Canadian companies	21%	23%
Discrepancy	3%	1%
Median tax rates		
	5 years	10 years
GAF A 4 (United States)	23%	24%
TSX 60 Canadian companies	24%	24%
Discrepancy	-1%	0%

Note: See the Annex for detailed data.

(see Table 2-3). Taking the average of the effective tax rates (1st series of calculations), we find that the tax system that applies to Canadian companies is significantly more favourable than what the GAF A were subjected to. We reach the same conclusion, though with a smaller discrepancy, by recalculating the average tax rate, this time aggregating taxes paid and profits and then dividing the former by the latter (2nd series of calculations) rather than averaging the rates.

When we look at the median tax rate (which avoids taking into account the tails of the distribution), taxation is comparable on either side of the border, with a slight advantage for the GAF A at five years and alignment at ten years (3rd series of calculations). We find favourable discrepancies in Canada, but even more significant, when we repeat the same exercise focusing only on the TSX 30 companies (see Table 2-4).

A comparative analysis of tax rates thus shows that the tax advantage supposedly enjoyed by the GAF A companies is not supported by the facts. Even if the judicious location of profits has enabled Big Tech companies to reduce their taxes compared to companies operating

only in the United States, it is clear that the GAF A have paid substantial amounts in taxes, comparable to Canadian companies, whether measured over five or ten years.

A comparative analysis of tax rates shows that the GAF A have paid substantial amounts in taxes, comparable to Canadian companies.

From an economic standpoint, the figures even show that it is Canadian companies and the Canadian economy that were favoured in comparison to U.S. companies in the recent past. In the 16 years ending in 2017, Canada benefited from lighter taxation. In the latter part of this period, the discrepancy was quite significant, 12 points on average in favour of Canada between 2011 and 2017, with a combined rate of 39% (federal and state) in the United States compared to 27% (federal and provincial) in Canada. Things changed radically in 2018, however, with the combined U.S. rate falling

Table 2-4

Comparison of effective tax rates of the GAF4 and TSX 30 companies		
Average tax rates	5 years	10 years
GAF4 (United States)	23%	24%
TSX 30 Canadian companies	10%	12%
Discrepancy	13%	11%
Total taxes paid / Total pre-tax profits	5 years	10 years
GAF4 (United States)	24%	24%
TSX 30 Canadian companies	21%	22%
Discrepancy	3%	2%
Median tax rates	5 years	10 years
GAF4 (United States)	23%	24%
TSX 30 Canadian companies	20%	22%
Discrepancy	3%	2%

Note: See the Annex for detailed data.

below the Canadian rate following the reforms implemented by the Trump administration (see Figure 2-1).

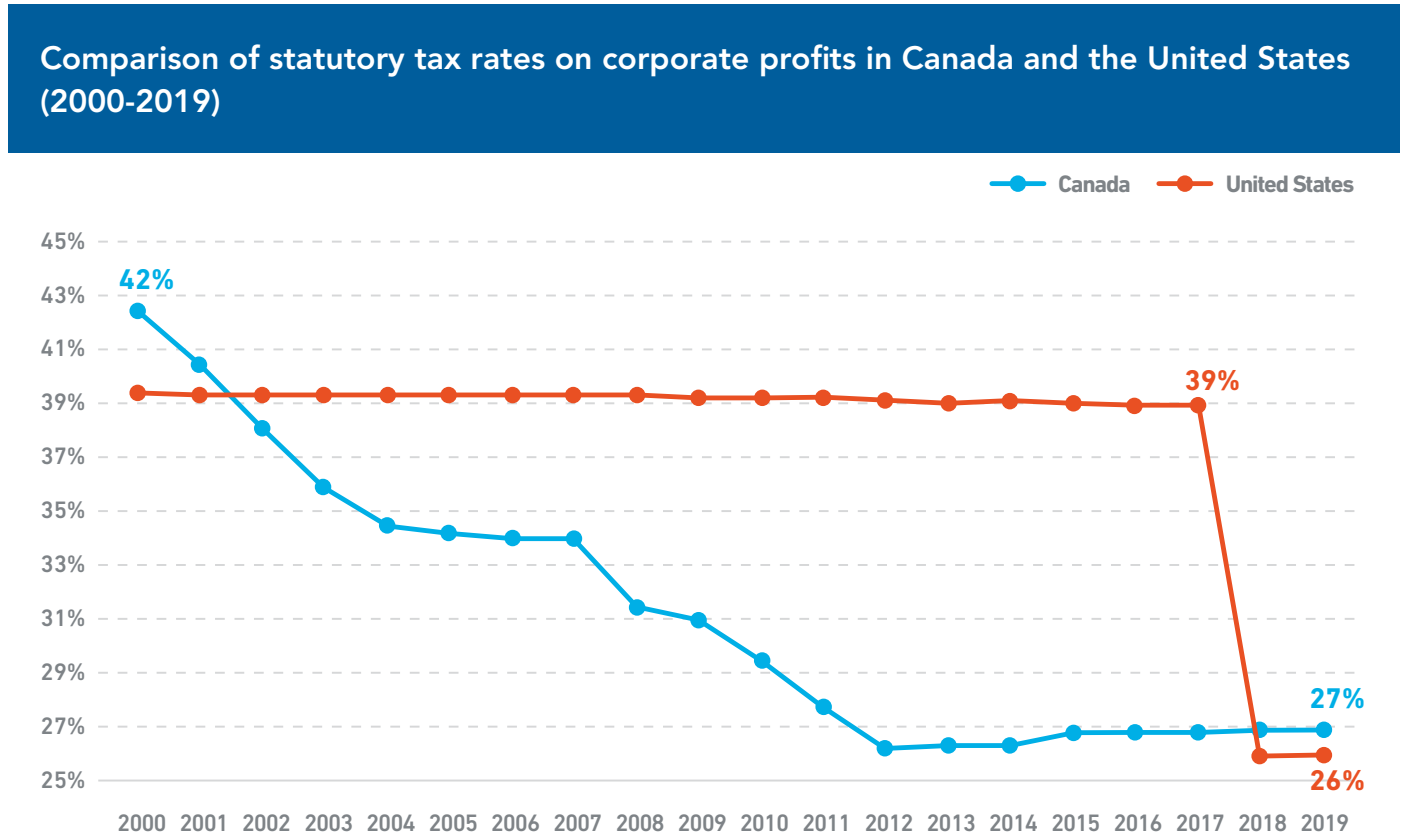
There remains no doubt today that this move to more moderate taxation has proven to be a wise choice. The corporate income tax has long been identified as a drag on growth (see Box 2-1), and successive reductions in the federal corporate tax rate between 2001 and 2012 have produced highly positive effects for Canadians, with growth in investment and wages.²⁶

Here again, the issue with respect to Canadian public policy is not to implement a tax rate offsetting the tax advantage allegedly benefiting U.S. Big Tech companies; rather, the issue lies in the ability to preserve the competitiveness of the Canadian economy following the tax cuts established by our southern neighbour.

Canada benefited from lighter taxation. Things changed radically in 2018, however, with the combined U.S. rate falling below the Canadian rate.

26. Mathieu Bédard and Kevin Brookes, "Restoring Canadian Competitiveness by Reducing Corporate Taxes," Economic Note, MEI, October 2018.

Figure 2-1



Sources: OECD, Table II.1, Statutory corporate income tax rate, 2019.



Box 2-1

Corporate Tax Hinders Growth

Multiple studies have indicated the negative impact that the corporate income tax can have on economic growth.¹ An in-depth examination of the impact of 104 changes to the U.S. tax system since the Second World War showed that a 1% rise in federal tax leads to a 3% decline in production after two years.² Another study, conducted by the IMF and covering 15 developed countries with an analysis of 170 tax reforms enacted over more than 30 years, produced a similar finding: a 1% increase in the tax burden reduced GDP by 1.3% after two years.³

Conversely, several studies covering Canada, the United States and many other countries have concluded that a 1% cut in corporate tax can raise GDP by 0.1% to 0.6%.⁴

A study looking at Canada's provinces found, notably, that a 1% corporate tax cut resulted in a 0.1% to 0.2% increase in annual growth.⁵ Another analysis, dealing with exogenous changes in corporate tax systems in the United States since the end of the Second World War, showed that a 1% corporate tax cut led to GDP growth of 0.6% after one year.⁶ Other studies, one analyzing data over nearly 100 years in the United States, and another examining data from 70 countries over nearly 20 years, reached similar conclusions.

Notes

1. Mathieu Bédard and Kevin Brookes, "Restoring Canadian Competitiveness by Reducing Corporate Taxes," Economic Note, MEI, October 2018. See also Gabriel Gimenez-Roche, "Taxation and its negative impact on business investment activities," Economic Note, Institut économique Molinari, November 2015; International Monetary Fund, "Will it hurt? The macroeconomic effects of fiscal consolidation," *World Economic Outlook: Recovery, Risk, and Rebalancing*, October 2010, pp. 93-124; Norman Gemmel et al., "The Timing and Persistence of Fiscal Policy Impacts on Growth: Evidence from OECD Countries," *The Economic Journal*, Vol. 121, No. 550, February 2011, pp. F33-F58; Jens Arnold et al., "Tax Policy for Economic Recovery and Growth," *The Economic Journal*, Vol. 121, No. 550, February 2011, pp. F59-F80.
2. Christina and David Romer, "The macroeconomic effects of tax changes: Estimates based on a new measure of fiscal shocks," *American Economic Review*, Vol. 100, No. 3, pp. 763-801, June 2010.
3. International Monetary Fund, *op. cit.*, footnote 1.
4. Based on data from the United States between 1912 and 2006, researchers found that a 1% reduction in the average marginal tax rate can produce a 0.5% increase in GDP per capita. Robert J. Barro and C. J. Redlick, "Macroeconomic effects from government purchases and taxes," *Quarterly Journal of Economics*, Vol. 126, No. 1, February 2011, pp. 51-102. A cross-sectional analysis of 70 countries from 1980 to 1997 showed that a 1% income tax cut produced an increase in annual growth ranging from 0.1% to 0.2%. Young Lee and Roger Gordon, "Tax structure and economic growth," *Journal of Public Economics*, Vol. 89, Nos. 5-6, pp. 1027-1043, June 2005.
5. Ergete Ferede and Bev Dhalby, "The impact of tax cuts on economic growth: Evidence from the Canadian provinces," *National Tax Journal*, Vol. 65, No. 3, pp. 563-594, September 2012.
6. Karel Mertens and Morten O. Ravn, "Empirical evidence on the aggregate effects of anticipated and unanticipated US tax policy shocks," *American Economic Review*, Vol. 4, No. 2, May 2012, pp. 145-181.

CHAPTER 3

An Additional 3% Tax Is Not Trivial

We have seen that the GAFAs are taxed significantly, and that their tax rate over the past five or ten years was broadly comparable to that of large Canadian companies, and even slightly higher.

The Liberal government, backed on this issue by all the opposition parties,²⁷ nonetheless promised to tax the revenues generated in Canada by the GAFAs through online advertising sales and their digital intermediation services. Companies with worldwide revenues of at least \$1 billion and Canadian revenues of at least \$40 million would thus be hit with a 3% tax on their Canadian revenues.²⁸ This group would include Google, Amazon, Facebook, and Apple, but some Canadian companies could also be affected.

This approach, modelled on the French approach, is far from trivial. An additional tax on revenues is likely to have adverse effects, according to a logical sequence well-documented by economists and tax specialists.

Companies are subject to various taxes and charges on their activities. These fall into two major categories: taxes on revenues and the corporate income tax. Unlike the corporate income tax, which is actually collected on their profits, taxes on revenues are calculated on all of a company's activities, whether or not these are profitable. This type of tax may therefore make a company unprofitable, and will potentially be collected even if a company is operating at a loss. This is why taxes on revenues are among the taxes most strongly criticized by economists.

The typical cases outlined below show some of the inherent biases in a tax on revenues. We see, first of all, that applying a 3% tax like the levy envisioned by the federal government has a very significant impact on the profitability of activities subject to the tax, and its effect is inversely proportional to the profit margin (see Table 3-1). The new tax reduces profit from Activity A, which generates a 25% gross profit margin, by 12%. This jumps to a 25% reduction in profit for Activity B, which has a 12% margin, and to a 50% reduction for Activity C, with an initial margin of 6%. If the initial margin is equal

to or less than 3%, profit disappears completely, and the company may even find itself operating at a loss.

We also see that the gain in public receipts from the application of the tax on revenues is likely to be partially offset by the decline in corporate income tax receipts. Table 3-2 illustrates this effect by totalling all economic activities presented in Table 3-1 and taking account of the impact the tax will have on government receipts from the corporate income tax.

In our example, one-quarter of the gains from implementing a 3% revenue tax are wiped out by the lower yield from the corporate income tax. This shortfall explains why the French digital tax, calibrated to yield €500 million, will actually no doubt bring in €400 million.²⁹ Even so, the tax burden on companies is increased, and their profitability is significantly reduced.

Taxes on revenues may make a company unprofitable, and will potentially be collected even if a company is operating at a loss.

The scenario outlined above assumes that the tax will have no impact on the revenues of the companies concerned. The gain for public finances may be diminished further if the decline in profitability leads companies to abandon a market where revenues are taxed in favour of more profitable markets. This is shown in Table 3-3. In this scenario, which again totals the economic activities presented in Table 3-1, the appeal of the new tax from a public finance standpoint is reduced considerably due to a decline in companies' activities proportional to the drop in their profitability. Most of the gain from the tax on revenues is thus offset by the decline in corporate income tax receipts, not to mention the sizable impact on employment, wages, and the economy as a whole.

Moreover, this contraction effect may occur even without economic activity declining from current levels. All it would take, for example, would be for the big digital players to prioritize the Canadian market less than the rest of the world in the years ahead, with a corresponding reduction in growth.

The impact of a 3% tax on revenues is therefore far less innocuous than it may appear at first sight. If this tax had

27. Jonathan Montpetit, "How it suddenly became chill to tax Netflix and other web giants," CBC.ca, October 12, 2019.

28. Office of the Parliamentary Budget Officer, *op. cit.*, footnote 2.

29. Boris Cassell and Séverine Cazes, *op. cit.*, footnote 20.

Table 3-1

Impact of a 3% tax on the profitability of various businesses, based on profit margin				
Activity A (25% gross margin)	Without tax on revenues	With tax on revenues	Variation, \$	Variation, %
Revenues	\$100.00	\$100.00	\$0.00	0%
Tax on revenues, 3%		-3%		
Tax on revenues, \$		-\$3.00	-\$3.00	
Profit margin, % (after revenue tax)	25%	22%		
Profit margin, \$ (pre-income tax)	\$25.00	\$22.00	-\$3.00	-12%
Income tax, % (25%)	-25%	-25%		
Income tax, \$	-\$6.25	-\$5.50	\$0.75	-12%
After-tax profit, \$	\$18.75	\$16.50	-\$2.25	-12%
Activity B (12% gross margin)	Without tax on revenues	With tax on revenues	Variation, \$	Variation, %
Revenues	\$100.00	\$100.00	\$0.00	0%
Tax on revenues, 3%		-3%		
Tax on revenues, \$		-\$3.00	-\$3.00	
Profit margin, % (after revenue tax)	12%	9%		
Profit margin, \$ (pre-income tax)	\$12.00	\$9.00	-\$3.00	-25%
Income tax, % (25%)	-25%	-25%		
Income tax, \$	-\$3.00	-\$2.25	\$0.75	-25%
After-tax profit, \$	\$9.00	\$6.75	-\$2.25	-25%
Activity C (6% gross margin)	Without tax on revenues	With tax on revenues	Variation, \$	Variation, %
Revenues	\$100.00	\$100.00	\$0.00	0%
Tax on revenues, 3%		-3%		
Tax on revenues, \$		-\$3.00	-\$3.00	
Profit margin, % (after revenue tax)	6%	3%		
Profit margin, \$ (pre-income tax)	\$6.00	\$3.00	-\$3.00	-50%
Income tax, % (25%)	-25%	-25%		
Income tax, \$	-\$1.50	-\$0.75	\$0.75	-50%
After-tax profit, \$	\$4.50	\$2.25	-\$2.25	-50%

Note: Calculations by the authors. The simulations apply to business conducted in Canada, subject to a 3% digital services tax and a combined 25% corporate income tax.

Table 3-2

Effect of the tax on the economy if the tax does not affect revenues				
If companies do not change their behaviour	Without tax on revenues	With tax on revenues	Variation, \$	Variation, %
Revenues	\$300.00	\$300.00	\$0.00	0%
After-tax profit, \$	\$32.25	\$25.50	-\$6.75	-20.9%
Tax on revenues, \$	\$0.00	\$9.00	\$9.00	
Income tax, \$	\$10.75	\$8.50	-\$2.25	-20.9%
Total receipts	\$10.75	\$17.50	\$6.75	62.8%

Note: Calculations by the authors. If implementation of the tax does not alter the behaviour of economic players, it generates \$6.75, with receipts from the new tax (+\$9.00) and the shortfall in corporate income tax (-\$2.25) factored in.

Table 3-3

Effect on the economy if the tax causes revenues to fall in proportion to its effect on profitability				
If companies contract their activities in proportion to their decline in profitability	Without tax on revenues	With tax on revenues	Variation, \$	Variation, %
Revenues	\$300.00	\$213.00	-\$87.00	-29.0%
After-tax profit, \$	\$32.25	\$20.71	-\$11.54	-35.8%
Tax on revenues, \$	\$0.00	\$6.39	\$6.39	
Income tax, \$	\$10.75	\$6.90	-\$3.85	-35.8%
Total receipts	\$10.75	\$13.29	\$2.54	23.7%

Note: Calculations by the authors. If the introduction of the tax leads to a contraction in revenues proportionate to the decline in profits, it may in theory reduce total public receipts. This would be the case, for example, if the decline in corporate income tax receipts turned out to be greater than the gains from the tax on revenues.

been introduced in Canada a few years ago, it would have hindered the development of digital activities subject to it, hitting low-margin activities especially hard.

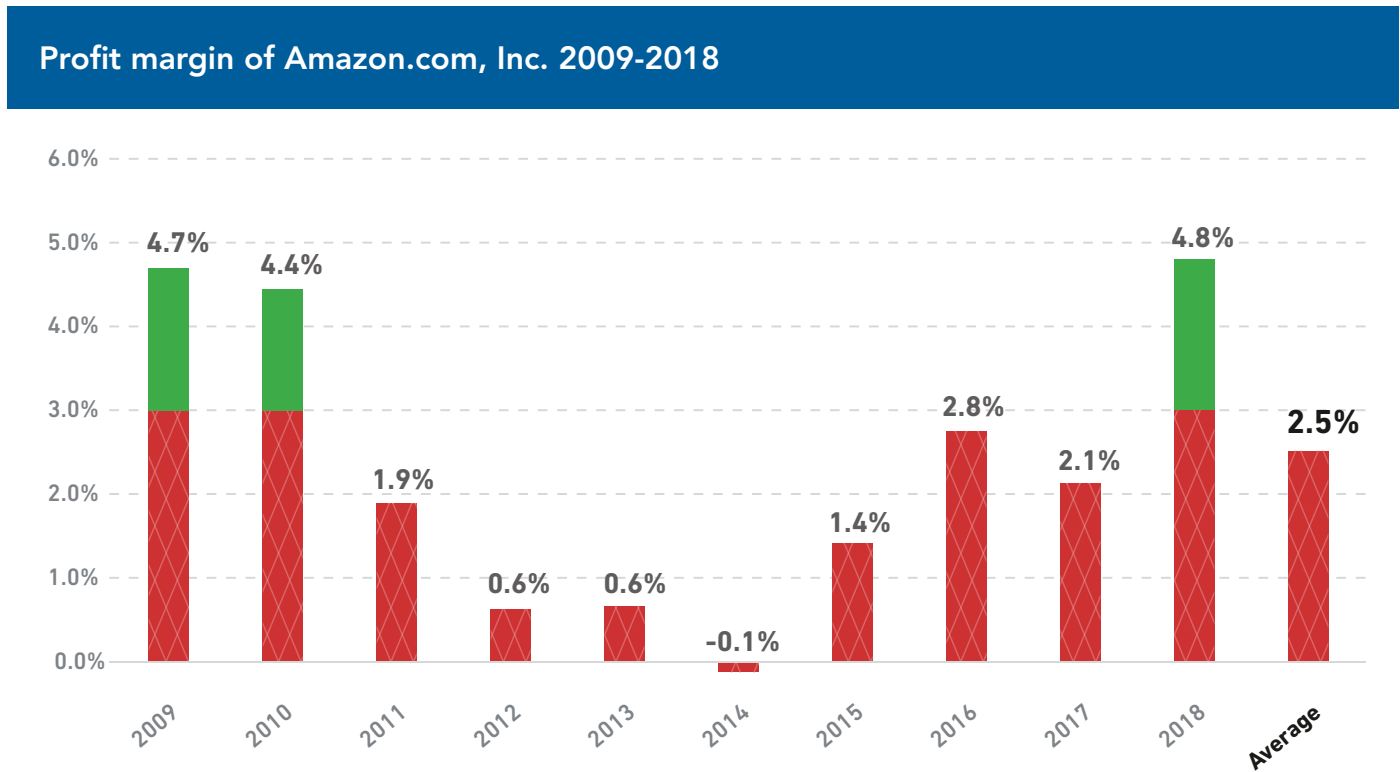
By way of illustration, the global profit margin of a player such as Amazon over the past ten years is 2.5%, less than the planned 3% tax rate. If such a tax had covered its entire global revenues, the company would technically have been in the red seven of the ten years (see Figure 3-1).

Amazon is not an isolated case. If the tax on digital services had been applied to all the activities of the TSX 60 companies over the past ten years, it would have completely wiped out the profits of nearly one-quarter (22%)

Most of the gain from the tax on revenues is thus offset by the decline in corporate income tax receipts, not to mention the sizable impact on employment, wages, and the economy as a whole.

of them, those with margins below 3%. It would also have reduced by at least half the profitability of 30% of them, those with profit margins of no more than 6% (see Figure 3-2).

Figure 3-1



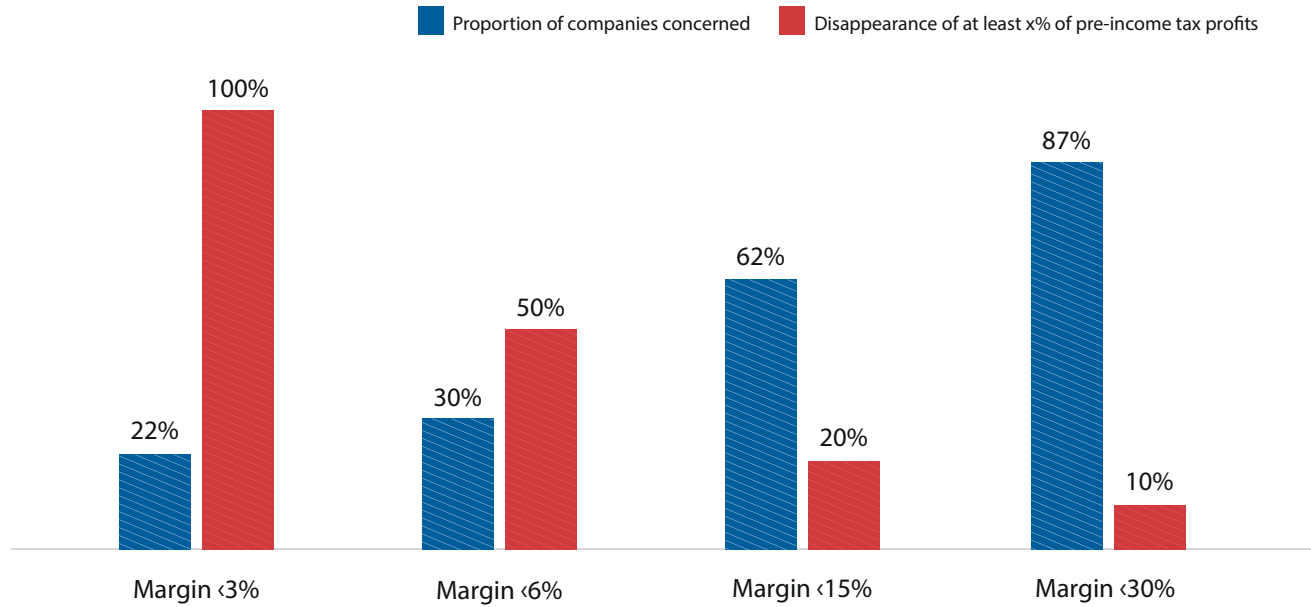
Note: Calculations by the authors. Data drawn from Stockrow.com.

Of course, the tax being considered by the Canadian government would apply only to companies active in the digital field or to relevant portions of their business. The example of the TSX 60 companies shows nevertheless how any tax on revenues can have a catastrophic effect on a company's profitability and can deter economic activity in a given sector. From this standpoint, such an approach is not nearly as innocuous as suggested by the proposals put forth during the election campaign.

If the tax on digital services had been applied to all the activities of the TSX 60 companies over the past ten years, it would have completely wiped out the profits of nearly one-quarter (22%) of them.

Figure 3-2

Simulation of the impact of a 3% tax on the revenues of the TSX 60 companies



Note: If a tax of 3% of revenues applied to the companies making up the TSX 60 Index, some 22% of them with margins below 3% would see their gross profits eliminated, some 30% of companies with margins below 6% would see their gross profits reduced by at least 50%, and so on. Calculations by the authors, ten-year period. Details in the Annex.

CHAPTER 4

A Tax That Will Hurt Canadian Businesses and Consumers

The effects of the digital tax as envisaged by the Canadian government may reach far beyond the GAFA companies for reasons related to international law on the one hand and to the permeable nature of taxation on the other. It is likely to penalize the Canadian digital ecosystem and Canadian business in general, as well as consumers.

A Tax That Will Hurt Canadian Digital Businesses

Under international law, a Canadian tax cannot target U.S. companies unilaterally. Such an approach would be deemed discriminatory and could result in litigation, leading almost certainly to Canada being condemned by the United States (under Section 301 of the *Trade Act of 1974*) or by international bodies (WTO), and could expose it to sanctions.³⁰

French lawmakers foresaw this problem. To limit the risk of litigation, they took care not to exclude European and Asian companies from the scope of their tax, a model for the Canadian law to follow.³¹ Apart from area of activity, the key criterion is business volume³² rather than head office location, for example. Among the companies that will be subject to the French tax are the Chinese firm Alibaba, the Japanese firm Rakuten, the Dutch firm Booking, and French-based companies such as Critéo and Leboncoin.³³

As might be expected, the new tax elicited criticism from the French digital sector. A legitimate fear felt by companies in this sector is that it penalizes European start-ups and growing companies. The Association des Services Internet Communautaires, a trade group, says that with this measure, the French Minister of Finance “is taxing the entire digital industry very broadly” and

“risks handicapping French players in their growth”³⁴ by imposing an additional tax burden on them when their annual revenues move beyond the thresholds set out in the law. As we saw in the previous chapter, levying a 3% tax on revenues could reduce the profit of a company on French territory to zero or even push it into the red. This is hardly likely to encourage the development of lower-margin activities, as is often the case for start-ups active in the digital sector. Other business groups have echoed these concerns.³⁵

In 2016, thirteen Canadian companies active in this sector had annual revenues exceeding \$1 billion, while 46 others reported revenues of between \$500 million and \$1 billion.

The tax will pose the same problems for Canadian firms in the digital sector. A recent federal government report noted that in 2016, thirteen Canadian companies active in this sector had annual revenues exceeding \$1 billion (the threshold for application of a future Canadian digital tax), while 46 others reported revenues of between \$500 million and \$1 billion.³⁶ These are all companies that could potentially be subject to the tax and see their profitability diminished or wiped out. It is ironic that, while one branch of the federal government is looking into the best ways to boost the number and size of Canadian digital companies, another branch is considering a measure that would have exactly the opposite effect.

30. United States, *Trade Act of 1974*, Pub. L. 93–618, 88 Stat. 1978; World Trade Organization, WTO in Brief, Global trade rules.

31. Office of the Parliamentary Budget Office, *op. cit.*, footnote 2.

32. Annual global income of more than €750 million or French income of more than €25 million. Legifrance, *op. cit.*, footnote 19.

33. Matthieu Pelloli and Daniel Rosenweg, “Amazon, Google, Facebook... une trentaine d’entreprises ciblées par la taxe Gafa,” *Le Parisien*, August 7, 2019.

34. Continuation of the quote: “An online gaming app? It’s an interface connecting two users. A cloud service? It’s an interface connecting two users. A telephone? It’s an interface connecting two users. An electronic registered mail service proposed by the post office? It’s an interface connecting two users. In the advertising field, the measure goes as far as to tax a server hosting simple ads!” Association des Services Internet Communautaires, “Taxe numérique sur les entreprises : Bercy doit revoir sa copie,” February 8, 2019.

35. According to Tech in France, an association of 400 entities from start-ups to large groups, the French tax “has many imperfections affecting French players competing with the platforms that are targeted.” France Digitale, which claims 1,200 member start-ups, says that this tax on revenues “sends a very bad signal to all players in the digital economy.” The tax notably risks provoking “the integration into takeover deals of the expected ‘cost’ of this new tax on revenues.” Philippe Mabile, “Taxation des GAFA : le projet de Bruno Le Maire réveille les ‘Pigeons’,” *La Tribune*, February 2, 2019; France digitale, *Projet de loi “taxe sur les services numériques,”* Position paper, February 1st, 2019.

36. Innovation, Science and Economic Development Canada, “The Innovation and Competitiveness Imperative: Seizing Opportunities for Growth,” Report of Canada’s Economic Strategy Tables: Digital Industries, Government of Canada, September 28, 2018.

A Tax That Will Hurt Consumers Above All

In addition to its impact on companies in the digital sector, the tax on revenues is very likely to have a knock-on effect on the Canadian economy. Economic theory and history have shown that taxes are rarely paid by those we believe are being taxed or whom we would like to tax. Economic analysis has long noted that “statutory” or “legal” taxpayers are not necessarily those who ultimately pay a tax.

Indeed, the impact of taxation depends on the ability to shift the tax burden onto a third party, and this usually means the party at the end of the chain, namely the consumer. In 1828, Jean-Baptiste Say noted: “Any tax is a burden that the taxpayer seeks to thrust onto other members of society.”³⁷ In the eyes of industrialists or economists, “the tax that producers are required to pay is part of their production costs; [...] this requires them to raise the price of their products and in this way to pass on at least a substantial portion of the tax to their consumers.”³⁸

Taxation has the potential to alter prices, induce changes in supply and/or demand, decrease the quantities traded if demand is elastic, and reduce utility for economic players in the form of a deadweight loss. Hence the adverse effects on well-being, described in detail by generations of economists, especially so-called “neo-classical” and “Austrian” economists.³⁹ The porousness of taxes, passing from one economic actor to another, is well known to contemporary economists. As Laurence Kotlikoff and Lawrence Summers have noted, “The distinctive contribution of economic analysis to the study of tax incidence has been the recognition that the burden of taxes is not necessarily borne by those upon whom they are levied.”⁴⁰

From an economic standpoint, a tax burden weighs all the more heavily on a factor insofar as it is “inelastic.” The ability to shift a tax burden to consumers depends,

in effect, on price elasticity.⁴¹ Producers or distributors of a good that is in especially high demand, such as gasoline, will find it easier to shift the economic burden of a tax increase to their customers. In contrast, producers of a good in low demand will be less able to pass on a tax increase to their customers. At the extreme, they will be forced to absorb the entire amount. In this instance, the producer, subject to the tax in statutory and legal terms, will be one and the same as the payer in economic terms. However, the reasoning does not stop there, because analysis of tax incidence shows that a company that is not able to shift the tax to its customers can turn to its employees or shareholders. Once again, elasticity will enter the picture. The ensuing adjustments will depend on the sensitivity of capital and labour to the effective tax rate, as is the case with consumption.⁴²

Ultimately, the tax burden always ends up being borne by physical persons who are owners of capital, employees and/or consumers.⁴³ This is the essence of these kinds of taxes. Depending on the elasticity of supply and on the players, the cost of these taxes ends up falling on consumers, employees, shareholders, employees or shareholders of business partners, employees or shareholders of the business partners of companies in contact with the partners, and so on and so forth.

In addition to its impact on companies in the digital sector, the tax on revenues is very likely to have a knock-on effect on the Canadian economy.

In the digital field, there can be no doubt that the major global players—notably the GAF A companies—are able to pass on most of the cost of this type of tax to their customers, their business partners, or both. Benefiting from a head start and from the size effect, they are better able to maintain their after-tax margins by diminishing the sharing of value or their offerings, to the

37. Jean-Baptiste Say, *Cours complet d'économie politique pratique*, Société belge de librairie, 1840 [1828], p. 497.

38. *Ibid.*, p. 507. Full excerpt: “The tax that producers are required to pay is part of their production costs; this is a difficulty that they encounter along their way and that they can overcome only by paying a certain amount. And since they can continue to produce only to the extent that their production costs (including their penalty) are defrayed, this requires them to raise the price of their products and in this way to pass on at least a substantial portion of the tax to their consumers.”

39. See for example Pascal Salin, *La tyrannie fiscale*, Odile Jacob, 2014, 331 pages.

40. Laurence J. Kotlikoff and Lawrence H. Summers, Tax Incidence series, NBER Working Paper No. 1864, March 1986, p. 1.

41. When elasticity is zero, demand will not rise or fall even if the price varies; demand therefore remains unchanged regardless of price. This is especially true of basic necessities: although prices may rise, consumption will remain steady, because there are few substitute products. When elasticity is negative, a price rise is likely to cause a downward variation in volumes of demand (and vice versa).

42. See for example Arnold Harberger, “The Incidence of the Corporate Income Tax,” *Journal of Political Economy*, Vol. 70, No. 3, 1962, pp. 215-240; Laurent Simula and Alain Trannoy, “Incidence de l'impôt sur les sociétés,” *Revue française d'économie*, Vol. 24, No. 3, January 2010, pp. 3-39.

43. Paul Sauveplane and Laurent Simula, *Où va l'impôt sur les sociétés?* Working document, Conseil des prélèvements obligatoires, Special Report No. 6, 2017, p. 5.



detriment of the businesses and individuals who use their services and products.

In March 2019, consulting firm Deloitte | Taj sounded the alarm over the impact of the future French law. According to their tax impact estimates, more than half (55%) of the total burden arising from the new French tax will be borne by consumers, 40% by companies using digital platforms, and only 5% by Big Tech firms, even though these are the firms directly targeted by the law.⁴⁴

Implacable Economic Logic

Also with regard to the French law, the Institut économique Molinari pointed out that a company like Amazon was bound to pass on the extra cost associated with the tax. Given that its global margin over ten years was 2.5% of revenues (see Chapter 3), the introduction of a 3% tax will necessarily involve a re-evaluation of the way it does business, leading to a reduction in the sharing of value

The major global players—notably the GAFSA companies—are able to pass on most of the cost of this type of tax to their customers, their business partners, or both.

for users of its virtual market.⁴⁵ As could be expected, the fallout from the digital tax on French merchants using the Amazon platform was confirmed on October 1st, 2019. The company raised its commissions by several tenths of a percentage point, to nearly 1.5% depending on the product, in order to offset the extra 3% cost arising from the digital tax.

A statement from Amazon clearly explained the inexorable economic logic behind the company's decision: "As we operate in the very competitive and low-margin retailing sector and invest massively in creating new

44. Julien Pellefigue, *Taxe sur les services numériques – Étude d'impact économique*, Deloitte | Taj, March 2019, p. 3.

45. Nicolas Marques, *La taxation française des services numériques, un constat erroné, des effets pervers*, Institut économique Molinari, March 12, 2019, p. 31.

tools and services for our clients and vendor partners, we cannot withstand an additional tax on turnover rather than on profits. Since this tax directly targets the services of the marketplace that we make available to the companies with which we work, we have no choice but to pass it on to them.”⁴⁶ As noted by a French journalist familiar with this matter, “We can therefore expect the vendors concerned, unless they sacrifice their margins, in turn to pass on the increase in the commission, in whole or in part, through an increase in their prices. The GAFA tax will therefore end up being paid by customers.”⁴⁷ Jean-Baptiste Say could not have put it any better.

The big American companies can thus reasonably be expected to “adjust their services and prices in response to the new law,” as Canada’s Parliamentary Budget Officer also noted in his analysis of the digital tax as proposed in the election campaign by the Liberal Party of Canada.⁴⁸

More than half (55%) of the total burden arising from the new French tax will be borne by consumers, 40% by companies using digital platforms, and only 5% by Big Tech firms.

It is also reasonable to expect that a portion of non-U.S. digital companies will not have the same ability to adjust. Not being in a position of strength, they will find it difficult to pass on the impact of the tax to their current or future business partners or consumers. The economic effect of the tax on digital services will thus be borne primarily by their employees and/or shareholders. It will take the form of lower increases in compensation for workers, partners and shareholders, with everyone exposed to greater risk as business models become more fragile. This explains why the French digital ecosystem has been particularly worried by the introduction of the new tax on digital services, and why a similar risk hangs over Canadian businesses.

By slowing the development and growth of businesses in the digital sector, the new tax could have long-lasting effects that would make the Canadian economy more dependent on foreign companies. By putting Canadian

players that have yet to achieve critical mass in a weaker position, the tax could favour the existing large American companies. Contrary to the line of thinking that emphasizes the importance of seeing new digital players emerge,⁴⁹ the tax could actually reinforce concentration in this sector and dependence on a handful of companies, even though the field is booming.

Bad News for the Canadian Economy

The digital tax would also be bad news for the Canadian economy as a whole. The rise in importance of the digital in the offerings of “traditional” players is causing the boundary between the digital economy and the traditional economy to become blurred.

For many years now, we have seen a steady rise in the quantity of digital components in traditional products. Cars, household appliances, and medical equipment, among others, are making increasing use of digital technology. Most companies producing these goods or providing related services are, day by day, taking on the characteristics of digital players. Traditional businesses may have understood that they are headed for oblivion “by cutting themselves off from customers, by not taking advantage of the growing returns promised by the network economy, by not making use of the data they collect.”⁵⁰ If this is the case, they have every reason to transform themselves into platforms, and to put clients and consumers at their core.

In this context, the tax on digital services may well catch up to these businesses sooner or later. By complicating the economic equation for traditional companies that seek to turn themselves into digital players, it could hinder their ability to catch up to the “pure players” that have already built a substantial lead, such as the GAFA companies. The tax would thus help maintain the gap between traditional and digital businesses, penalizing our economies once again.

46. Thierry Noisette, “Amazon ne veut pas de la taxe Gafa, vous allez donc payer plus cher,” *L’OBS*, October 1st, 2019.

47. *Idem*.

48. Office of the Parliamentary Budget Officer, *op. cit.*, footnote 2.

49. Innovation, Science and Economic Development Canada, *op. cit.*, footnote 36.

50. Corinne Vadcar and Jean-Luc Biacabe, *Création de valeur dans un monde numérique*, Institut Friedland, January 2017, p. 57.

CHAPTER 5

International Risks to Trade and Public Finances

The impacts of a possible Canadian GAFAs tax extend well beyond their direct effects. The French example shows that we can expect two series of indirect effects that are likely to compromise the gain anticipated from this approach both in the short term and in the longer term.

International Risks to Trade

Past and more recent experience shows that this type of unilateral measure is likely to spark tensions between governments. Despite precautions taken by the French authorities, bringing European and Asian companies within the scope of the tax, U.S. authorities have initiated proceedings under Section 301 of the *Trade Act of 1974*.⁵¹ This step seeks to determine the fairness of trade practices as they affect American companies.⁵²

Meanwhile, the U.S. President has ratcheted up pressure on the French authorities, with abundant threats of trade retaliation against French wine.⁵³ These threats are not random. Wines and spirits are the second biggest item in France's trade surplus, at €13 billion,⁵⁴ behind the €31-billion surplus in aeronautics and ahead of perfumes.⁵⁵ The aeronautics sector is actually the subject of a dispute between Europe and the United States, with French wine producers recently paying the price. In a dispute over subsidies received by aircraft makers, the World Trade Organization has authorized the United States to impose sanctions amounting to US\$7.5 billion on the European Union. France is one of the most affected countries. It is little surprise that wine⁵⁶ is among the many French products involved.

The French authorities had sought to eliminate these frictions. They even thought they had found common ground with the United States at the 2019 G7 summit in Biarritz,⁵⁷ pledging to refund directly to American companies any difference between the French tax and a similar tax adopted following negotiations overseen by the OECD. This approach, though especially generous to American players,⁵⁸ did not have the intended results. Early in December 2019, the Office of the United States Trade Representative concluded that the French tax discriminated against American companies and that it unduly penalized them.⁵⁹ Accordingly, the United States threatened the imposition of tariffs of up to 100% on French imports like champagne, cheese, yogurt, and cosmetics starting in early 2020.⁶⁰

Risks to Public Finances

Beyond the short-term frictions, the French experience is likely to speed up and add credibility to the rewriting of international tax rules under OECD leadership. This possibility should not be taken lightly, and merits prior economic assessment.⁶¹

The United States threatened the imposition of tariffs of up to 100% on French imports like champagne, cheese, yogurt, and cosmetics starting in early 2020.

The general idea is to reduce the share of corporate taxes going to countries where firms are headquartered and to increase the share going to “consuming” countries. Though such a process, negotiated in a multilateral framework, is preferable to unilateral approaches, it will not necessarily benefit all of its promoters. For example, it is not certain that France will come out very far

51. Office of the United States Trade Representative, Section 301 investigations, Section 301-France's Digital Services Tax.

52. *L'Opinion*, “Les États-Unis ouvrent une enquête sur la ‘taxe Gafa’ française,” July 11, 2019.

53. Philippe Boulet-Gercourt, “Trump et la ‘taxe Gafa’ : le vin français va-t-il trinquer?” *L'OBS*, August 20, 2019.

54. Product analysis: C11Z – Drinks, Structural component – 12-month period (cumulative total from August 2018 to July 2019).

55. Ministry of Public Action and Accounts, Revision of foreign trade statistics on imports of aeronautical products, News release, February 1st, 2019; Customs and Indirect Taxes, “Le chiffre du commerce extérieur,” Quarterly analysis, 2nd quarter 2019, Department of Statistics and Foreign Trade, August 7, 2019.

56. Lucie Oriol, “Les sanctions de Trump viseront ces produits français en priorité,” *HuffPost*, October 3, 2019.

57. “G7 Biarritz : Conférence de presse conjointe avec le Président américain Donald Trump,” Élysée, August 27, 2019.

58. The tax impact penalizes European businesses and consumers above all. See for example Cécile Philippe, “La spirale infernale de la taxe Gafa à la française,” *Les Échos*, September 16, 2019.

59. Office of the United States Trade Representative, Section 301 – Investigation Report on France's Digital Services Tax, December 2, 2019.

60. The Local, “US threatens France with tax of up to 100 percent on Champagne, cheese and lipstick,” December 3, 2019. The U.S. decision was imminent at the moment of publication of this paper.

61. Raphaël Legendre, “Le remède tranquille de l'OCDE pour taxer les Gafa,” *L'Opinion*, October 9, 2019.

ahead. The gains from taxing digital companies will probably be partially erased by a decrease in tax receipts from large French groups that have a foreign presence.⁶²

Also, despite its activism, the French government has long moved forward “almost blindly” on these crucial matters due to a failure to conduct prior economic analyses, as noted in a ruling by the Cour des comptes,⁶³ a body comparable to the Auditor General of Canada. Considering the amounts involved, this recklessness is astonishing. Only recently has the French administration published an impact study on this strategic matter, with little consensus on the results within the French government.⁶⁴

Will the additional receipts from taxing the revenues of foreign companies operating in Canada offset the reduction in receipts from Canadian companies operating in the rest of the world?

Canada’s federal government would do well to come up with a precise assessment of whether its interests are well-served by participating in the revision process on the sharing of corporate income tax and the new international rules that will emerge from it. Will the additional receipts from taxing the revenues of foreign companies operating in Canada offset the reduction in receipts from Canadian companies operating in the rest of the world? The answer may not be as clear as it seems to be.

62. The simulations by the Conseil d’analyse économique, attached to the French prime minister’s office, show “that an apportionment rule to redistribute profits partially to destination markets (OECD Pillar 1) would have a negligible impact on tax receipts and a slightly positive impact on the attractiveness of most non-tax-haven countries.” Clemens Fuest *et al.*, “Fiscalité internationale des entreprises : quelles réformes pour quels effets?” *Les notes du Conseil d’analyse économique*, No. 54, November 2019.

63. Cour des comptes, *Les conventions fiscales internationales*, Note from the First President to Bruno Le Maire, Minister of the Economy and Finance, and Gérald Darmanin, Minister of Public Action and Accounts, May 31, 2019.

64. See for example Raphaël Legendre, “Réforme fiscale internationale: la France ne touchera pas le jackpot,” *L’Opinion*, November 19, 2019.

CONCLUSION

Innovation in the digital economy has eliminated many barriers, bringing in new competition and new services that millions of consumers have come to love. Imposing a tax on revenues could slow down both trends.

Our policy-makers must bear in mind that no society has become more prosperous by stifling innovation. Government interference in markets often lead to consequences whose scope is difficult to measure. In its currently proposed form, a tax on the revenues of digital companies is, at best, another levy for taxpayers to bear that will do little to change the overall picture. More realistically, it will lead to a reduction of quality in the services offered.

In a way, the GAFAs companies have been victims of their phenomenal growth and success. It may be politically tempting to tax foreign multinationals more heavily, with their fate arousing less sympathy than that of domestic companies. It is also true that the GAFAs have seriously disrupted the business models of many content-producing companies that were sheltered by limited competition. However, there are three things we should keep in mind.

First of all, it is the cream of the crop that has risen to the top of the digital economy. Google, Amazon, Facebook, and Apple all had to fight off rivals in their respective subsectors before achieving international dominance. Their success was not guaranteed, and nor is their recent (15 years or less) dominance. Indeed, the real question that needs to be asked is why Europe and Canada have not managed to produce their share of big digital players. Ottawa's failure to react to the U.S. tax cuts—which eradicated a significant Canadian advantage—shows that some lessons have not been learned.⁶⁵

A second thing to bear in mind is that the GAFAs have followed the tax rules that apply to all businesses, including the rule that taxes on profits are generally paid in the country of origin. The main difference between the GAFAs and other multinationals that are also well established in many countries (in the transportation and energy sectors, for example), is that their growth has been more explosive and their success more disruptive to established business models.

Third, the GAFAs companies have simply succeeded in providing goods and services that are very sought-after by consumers and, to some extent, have generat-

ed demand that did not exist previously. Some services, in particular those offered by Google and Facebook, have been provided free of charge, leading to enormous value creation for their consumers, who consider these services to be worth thousands of dollars annually.⁶⁶

Google, Amazon, Facebook, and Apple all had to fight off rivals in their respective subsectors. Their success was not guaranteed, and nor is their recent dominance.

Since the GAFAs are well established in their respective markets and offer high-value-added products and services, they are in a far better position than less mature companies to pass the bill on to consumers, with little effect on their business models or profitability, as shown by Amazon's decision to boost its commission in France. Meanwhile, increasing the tax burden of digital firms could deter both established and not-yet-established companies from entering this sector and competing directly one day with the GAFAs. This is probably the strongest argument against a specific tax: By stifling both the arrival and growth of new players, the digital tax could prove to be a strong barrier to competition.

65. Mathieu Bédard and Kevin Brookes, *op. cit.*, footnote 26.

66. Erik Brynjolfsson et al., "Using massive online choice experiments to measure changes in well-being," *PNAS*, Vol. 116, No. 15, April 9, 2019.

ANNEX

Details of calculations

Data on the GAFA are taken from Form 10K filings with the U.S. Securities and Exchange Commission (SEC). Data on the TSX 60 companies come from Reuters (original pre-tax income and income tax series) and were retrieved in September 2019.

The effective corporate tax rate (ECTR) is the actual rate at which a company is taxed pursuant to the corporate income tax.

Effective tax rates are calculated by dividing the total corporate tax by the company's earnings before taxes (EBT). With some exceptions, the taxes taken into account are those associated with earnings, as opposed to other charges linked to other tax bases (revenues, payroll, etc.).

To avoid volatility related to tax deferrals over time, short-term tax measures and specific allowances, we based our analysis on the average rates observed over the past five or ten fiscal years. The calculations were done by taking the sum of taxes on earnings set aside or paid by the companies concerned over the corresponding periods (five or ten years) and dividing this by the sum of pre-tax earnings for this same period, in accordance with U.S. generally accepted accounting principles.

For the GAFA 4 and the TSX 60 companies, three series of calculations were done. An initial series of calculations divided the sum of taxes on earnings set aside or paid by these companies over a given period by the sum of pre-tax earnings for these same periods. A second series compared the average tax rates. A third series compared the median rates.

A comparison of rates over the entire period under examination enabled upward, downward or stable trends to be detected.

Consistency in the stability of results was verified for the TSX 30.

It should be noted that these figures, which include worldwide profits and results, do not represent the entire tax burden of the companies in question. For example, they do not include contributions paid on behalf of employees (contributions to employment insurance plans or public pension plans), payroll taxes or taxes on dividends paid to shareholders.

The MEI strives to provide the most accurate information possible. These data are provided with the aim of nurturing economic debate and are in no way intended to support individual investment choices. The MEI cannot be held responsible for omissions or inaccuracies in

the updating of data, whether through its own fault or that of third parties that provide this information. All data are provided for information purposes only and are subject to change.

The scope of the French digital tax

The tax on large technology companies being considered by the federal government will reproduce the French tax.

The digital services covered by the French tax are:

- Provision of services for the targeting of advertising based on internet users' data, whether personal or otherwise.
- Sale of data collected online for the targeting of advertising. A service enabling an advertiser to post advertising messages (such as a sponsored link on a search engine results page) will be taxed when these messages are targeted on the basis of a user's request. A comparator of goods or services that is remunerated by the entities whose offers are compared will be taxed on the basis of this remuneration.
- Provision of a service connecting internet users, whether or not this service enables these internet users to conduct transactions directly with one another. A marketplace for the sale of goods or services, between professionals, between consumers or between professionals and consumers, a dating site or an app store may be covered.

Services excluded from the scope of the French tax are:

- Direct sale of goods and services, including digital content (e-commerce, on-demand video or music services).
- Messaging or payment services.
- Advertising services for which the advertising messages are determined solely on the basis of website content and are identical for all internet users.
- Sale of data collected other than through the internet or for purposes other than advertising.
- Regulated financial services.

Sources: Office of the Parliamentary Budget Officer, "Cost Estimate of Election Campaign Proposal: Taxation of large technology companies," Parliament of Canada, September 29, 2019; Ministry of the Economy and Finance (France), "Projet de loi relatif à la taxation des grandes entreprises du numérique," Press kit, March 6, 2019, p. 6.

Table A-1

Pre-tax profit, tax and effective tax rate by fiscal year, 2009-2018			
Alphabet Inc. (GOOGL)			
Fiscal year-end	Pre-tax profit, US\$	Tax on profits	Effective tax rate
31/12/2018	35 billion	4 billion	12%
31/12/2017	27 billion	15 billion	53%
31/12/2016	24 billion	5 billion	19%
31/12/2015	20 billion	3 billion	17%
31/12/2014	18 billion	4 billion	20%
31/12/2013	15 billion	3 billion	18%
31/12/2012	14 billion	3 billion	21%
31/12/2011	12 billion	3 billion	21%
31/12/2010	11 billion	2 billion	21%
31/12/2009	8 billion	2 billion	22%
10 years	184 billion	43 billion	23%

Apple Inc. (AAPL)			
Fiscal year-end	Pre-tax profit, US\$	Tax on profits	Effective tax rate
29/09/2018	73 billion	13 billion	18%
30/09/2017	64 billion	16 billion	25%
24/09/2016	61 billion	16 billion	26%
26/09/2015	73 billion	19 billion	26%
27/09/2014	53 billion	14 billion	26%
28/09/2013	50 billion	13 billion	26%
29/09/2012	56 billion	14 billion	25%
24/09/2011	34 billion	8 billion	24%
25/09/2010	19 billion	5 billion	24%
26/09/2009	12 billion	4 billion	32%
10 years	495 billion	122 billion	25%

Table A-1 (cont.)

Pre-tax profit, tax and effective tax rate by fiscal year, 2009-2018			
Facebook Inc. (FB)			
Fiscal year-end	Pre-tax profit, US\$	Tax on profits	Effective tax rate
31/12/2018	25 billion	3 billion	13%
31/12/2017	21 billion	5 billion	23%
31/12/2016	13 billion	2 billion	18%
31/12/2015	6 billion	3 billion	40%
31/12/2014	5 billion	2 billion	40%
31/12/2013	2.8 billion	1.3 billion	46%
31/12/2012	0.5 billion	0.4 billion	89%
31/12/2011	1.7 billion	0.7 billion	41%
31/12/2010	1.0 billion	0.4 billion	40%
31/12/2009	0.3 billion	0.0 billion	10%
10 years	76 billion	18 billion	23%

Amazon.com, Inc. (AMZN)			
Fiscal year-end	Pre-tax profit, US\$	Tax on profits	Effective tax rate
31/12/2018	11 billion	1 billion	11%
31/12/2017	4 billion	1 billion	20%
31/12/2016	4 billion	1 billion	38%
31/12/2015	2 billion	1 billion	61%
31/12/2014	-0.1 billion	0.2 billion	-226%
31/12/2013	0.4 billion	0.2 billion	37%
31/12/2012	0.4 billion	0.4 billion	110%
31/12/2011	0.9 billion	0.3 billion	32%
31/12/2010	1.5 billion	0.4 billion	23%
31/12/2009	1.2 billion	0.3 billion	22%
10 years	25 billion	6 billion	24%

Table A-2

Aggregates used in calculating the amounts associated with the TSX 60 companies							
Amounts, US\$ million							
Company	Pre-tax profits		Taxes on profits		Revenues		Latest fiscal year compiled
	5 yrs.	10 yrs.	5 yrs.	10 yrs.	5 yrs.	10 yrs.	
Agnico Eagle Mines Limited	624	453	440	515	10,454	17,868	31/12/2018
Alimentation Couche-Tard Inc.	8,354	11,434	1,805	2,390	217,091	348,994	28/04/2019
Bank of Montreal	23,939	43,950	4,541	8,361	37,534	72,965	31/10/2018
Bank of Nova Scotia	10,678	21,067	2,181	4,995	16,164	30,930	30/04/2019
Barrick Gold Corporation	-1,509	-4,103	3,964	8,663	43,443	103,992	31/12/2018
Bausch Health Companies Inc.	-7 393	-9,181	-2,894	-3,830	45,488	59,271	31/12/2018
BCE Inc.	15,204	30,819	3,900	7,120	86,289	179,800	31/12/2018
BlackBerry Limited	-1,392	-374	-239	247	8,640	79,787	28/02/2019
Bombardier Inc.	-6,814	-2,007	988	1,981	87,076	181,097	31/12/2018
Brookfield Asset Management Inc.	26,794	39,878	1,539	3,938	160,245	241,398	31/12/2018
Brookfield Infrastructure Partners L.P.	1,410	2,365	439	642	6,245	10,457	31/03/2019
Cameco Corporation	-80	-209	-91	-90	1,823	3,854	30/06/2019
Canadian Imperial Bank of Commerce	6,353	12,287	1,293	2,446	9,866	18,789	30/04/2019
Canadian National Railway Company	19,441	34,840	2,285	6,234	50,110	94,269	31/12/2018
Canadian Pacific Railway Limited	8,787	12,574	1,490	2,321	26,132	51,307	31/12/2018
Canadian Tire Corporation Limited	3,946	7,036	1,048	1,875	50,627	100,650	29/12/2018
Canopy Growth Corporation	-575	-575	11	11	278	278	31/03/2019
CCL Industries Inc.	616	1,185	156	313	5,060	9,560	31/03/2019
Canadian Natural Resources Limited	8,225	22,111	1,509	5,539	62,724	128,774	31/12/2018
Cenovus Energy Inc.	-567	6,534	-783	1,599	65,273	138,358	31/12/2018
CGI Inc.	5,404	7,683	1,374	2,011	42,845	68,857	30/09/2018
Constellation Software Inc.	1,453	1,829	365	345	11,172	15,116	31/12/2018
Dollarama Inc.	2,330	3,455	634	955	11,397	19,309	03/02/2019
Emera Incorporated	2,353	3 482	364	390	17,821	26,970	31/12/2018
Enbridge Inc.	6,951	12,579	422	1,768	154,194	256,639	31/12/2018
Encana Corporation	-2,408	-3,250	-1,948	-3,689	25,119	64,220	31/12/2018
First Quantum Minerals Ltd.	1,878	7,278	978	2,831	16,189	29,557	31/12/2018
Fortis Inc.	4,293	6,314	1,996	2,280	27,775	46,090	31/12/2018
Franco-Nevada Corporation	799	1,233	202	374	2,824	4,347	31/12/2018
Gildan Activewear Inc.	1,712	2,701	52	34	12,972	21,180	31/12/2018

Table A-2 (cont.)

Aggregates used in calculating the amounts associated with the TSX 60 companies							
Amounts, US\$ million							
Company	Pre-tax profits		Taxes on profits		Revenues		Latest fiscal year compiled
	5 yrs.	10 yrs.	5 yrs.	10 yrs.	5 yrs.	10 yrs.	
Imperial Oil Limited	10,403	28,334	2,517	6,963	120,416	257,825	31/12/2018
Inter Pipeline Ltd.	2,537	3,671	663	903	7,738	13,229	31/12/2018
Kinross Gold Corporation	-1,692	-6,673	417	1,688	16,506	33,963	31/12/2018
Kirkland Lake Gold Ltd.	680	483	190	197	2,611	3,349	31/12/2018
Loblaw Companies Limited	4,460	9,065	1,423	2,690	177,350	330,565	29/12/2018
Magna International Inc.	13,920	19,327	3,451	4,555	184,993	320,882	31/12/2018
Manulife Financial Corporation	14,350	17,896	1,567	-852	188,580	379,154	31/12/2018
Metro Inc.	3,908	6,907	836	1,641	51,055	106,796	29/09/2018
National Bank of Canada	8,258	15,904	1,408	2,724	11,627	21,983	31/10/2018
Nutrien Ltd.	552	552	-73	-73	37,805	37,805	31/12/2018
Open Text Corporation	2,509	3,323	417	528	11,651	17,792	30/06/2019
Pembina Pipeline Corporation	3,582	4,879	904	1,143	21,807	33,663	31/12/2018
Power Corporation of Canada	16,003	31,322	2,354	5,250	180,459	334,392	31/12/2018
Restaurant Brands International Inc.	4,104	4,871	724	951	19,328	25,607	31/12/2018
Rogers Communications Inc.	7,858	18,210	2,112	4,914	54,032	114,189	31/12/2018
Royal Bank of Canada	53,632	94,156	11,725	20,898	63,631	120,982	31/10/2018
Saputo Inc.	3,630	6,756	883	1,829	44,768	79,172	31/03/2019
Shaw Communications Inc.	3,221	7,333	898	1,938	20,659	42,020	31/08/2018
Shopify Inc.	-181	-187	0	0	2,446	2,520	31/12/2018
SNC-Lavalin Group Inc.	1,359	3,316	422	850	35,648	70,477	31/12/2018
Sun Life Financial Inc.	11,669	16,920	2,029	1,924	101,897	191,197	31/12/2018
Suncor Energy Inc.	11,176	34,686	3,824	12,832	131,077	303,404	31/12/2018
TC Energy Corporation	7,985	18,104	2,042	4,400	47,657	89,896	31/12/2018
Teck Resources Limited	6,140	18,721	2,263	6,450	39,721	86,655	31/12/2018
Telus Corporation	7,593	15,127	1,999	3,797	50,266	100,979	31/12/2018
Thomson Reuters Corporation	5,246	8,892	88	1,195	45,838	111,548	31/12/2018
Toronto-Dominion Bank	43,303	73,572	8,334	13,294	78,292	143,519	31/10/2018
Waste Connections Inc.	1,894	2,317	541	812	16,864	25,065	31/12/2018
Weston George Limited	5,081	10,057	1,511	2,958	183,897	342,748	31/12/2018
Wheaton Precious Metals Corp.	727	2,651	9	14	3,798	6,746	31/12/2018

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