

THE INDEPENDENT UK

Trump administration threatens UK with tariffs if Boris Johnson imposes taxes on tech giants

Digital services levy due to be imposed on web-based firms like Facebook and Amazon from April

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US Treasury secretary [Steven Mnuchin](#) has threatened the UK with tariffs if [Boris Johnson](#) presses ahead with plans for a new tax on American tech giants.

The threat escalates an ongoing row between Johnson and [Donald Trump](#) just weeks before London hopes to open talks on a post-Brexit free trade deal with the US.

It comes after French president [Emmanuel Macron](#) backed down at the weekend on plans for a levy of up to 3 per cent of revenues on revenue in a bid to resolve the issue of global technology companies paying little tax in countries where they earn large amounts but are not physically present.

In a phone call with Trump on Sunday, Mr Macron agreed to extend negotiations until the end of this year, averting threatened US duties of up to 100 per cent on around £2 billion worth of imports of totemic French products like champagne and Camembert cheese.

Now Mr Mnuchin has warned that UK exporters can expect similar treatment if Johnson persists with the digital sales tax, which Washington believes unfairly penalises firms like [Google](#), [Amazon](#) and [Facebook](#).

The tax is due to come into force in April, at a rate of 2 per cent of revenues of search engines, social media platforms and online marketplaces that derive value from British users.

Speaking to the *Wall Street Journal* at the World Economic Forum in [Davos](#), Switzerland, the US Treasury secretary said that Macron's truce was "the beginning of a solution" and called on Britain and Italy to suspend similar plans.

"If not, they'll find themselves faced with President Trump's [tariffs](#)," said Mr Mnuchin. "We'll be having similar conversations with them."

Downing Street made clear that it viewed an international agreement on the tax treatment of incomes from web-based technologies as the long-term solution to the issue.

But Mr Johnson's official spokesman gave no indication that the UK is preparing to back down on the introduction of the tax in the face of US pressure.

“We are fully engaged in international discussions to address the challenges digitalisation poses for tax,” said the PM’s spokesman.

“Our strong preference is for an appropriate global solution and to repeal our digital services tax once this is in place.

“We have consulted extensively on our digital services tax and sought to design it in a proportionate way.”

Speaking about the digital services tax ahead of Mr Trump’s visit to London last month, Mr Johnson warned against a "trade war", but said he believed a way needed to be found of ensuring tech giants make a “fairer contribution” in tax.

“I do think we need to look at the operations of the big digital companies and the huge revenues they make in the UK and the amount of tax they pay,” the PM said in December.

“We need to sort that out. They need to make a fairer contribution.”

The ongoing row risks scuppering Mr Johnson’s hopes for a swift and ambitious trade deal with the US as a means of mitigating the hit to UK exports expected as a result from Brexit. The PM has already limited the scope of such a deal by ruling out the inclusion of NHS services.

The digital services tax was announced in the 2018 budget by then chancellor Philip Hammond as a way of levelling the playing field between global tech giants who exploit the international system to minimise their tax liabilities and bricks-and-mortar businesses that are tied to local tax rates.