

US removes stumbling block to global deal on digital tax

Biden administration drops insistence on 'safe harbour' for companies, opening door to agreement

James Politi and Aime Williams in Washington, Chris Giles in London, Sam Fleming in Brussels and Miles Johnson in Rome

US Treasury secretary Janet Yellen has told G20 finance ministers that Washington will drop a contentious part of its proposal for reform of global digital taxation rules that had been the main stumbling block to an agreement.

The move could unlock **long-stalled multilateral negotiations at the OECD**, which struggled to make progress after the Trump administration first insisted on the “safe harbour” measure in late 2019. The provision would have allowed technology companies to abide by any agreement on a voluntary basis and was strongly opposed by several European countries.

Yellen’s announcement marks **an early change in international economic policy by the Biden administration** that could herald an improvement in transatlantic relations, after the past four years’ tensions with Donald Trump in the White House.

On Friday, Yellen said at a meeting of G20 finance ministers that the US “is no longer advocating for safe harbour implementation”, a US Treasury official told the Financial Times. The US “will engage robustly to address both pillars of the OECD project, the tax challenges of digitisation and a robust global minimum tax”, the official said.

“The new position taken by the US government is very important,” he said. “There was a deadlock. Secretary Yellen has dropped the insistence on so-called ‘safe harbour’ measures...we think this will facilitate an agreement.” Another official close to the

international tax talks said the US “wants a deal on both pillars [of the proposals] by July . . . the coming few weeks will be critical but the dynamic has never been that positive”. Olaf Scholz, Germany’s finance minister, called Yellen’s move “a huge step forward on the way to an agreement between the participating states by the summer”.

An EU official said it was “a very encouraging development”. **The gloomy prospects for a multilateral deal on digital tax during the Trump administration led a number of countries, mainly in Europe, to introduce or consider their own levies on large technology companies, in a bid to prevent them from paying little or no tax on their sales. Washington objected to those tax measures as unilateral and discriminatory against Silicon Valley, turning the dispute into one of the biggest sources of transatlantic economic and trade tensions.**

However, despite the renewed hopes for a deal there is still much to do before a new global regime can be introduced. Not only will an agreement have to be finalised, but in the case of the US it will have to be approved by Congress, where taxation policy changes can be highly contentious.