

Saliency and Sovereignty: The Politics of Taxing Big Tech in France and the United Kingdom (2010-2021)

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Oxford is a place where people care – about the things they read, about the people in their lives, about the world around them. One of its greatest joys is to sit and discuss everything, from the spirit of trees and the meaning of freedom, to actionable solutions for tackling inequality or the dust in the garden.

I feel deeply privileged to have been part of this community. *‘D’avoir pu limer ma cervelle contre les leurs’*, wrote Montaigne.

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Abstract

What explains the passing of corporation tax reforms targeting tech multinationals in France and the United Kingdom at multiple levels? Focusing on policy developments in France and the United Kingdom from the second half of the 2010s to the signing of the OECD/G20 international tax agreement in October 2021, this research investigates the passing of five domestic unilateral reforms – France’s so-called ‘Google Tax’ and Digital Services Tax, the UK’s Diverted Profits Tax and Digital Services Tax, and the EU’s Digital Services Tax - and of two rounds of internationally coordinated tax reforms. The coexistence of these varied reform types within a short timeframe presents a puzzling case of public policy, in which governments pursued overlapping strategies to tax multinationals. It raises important questions about the drivers and constraints of tax policymaking in an era of digitalisation and economic globalisation. Drawing on qualitative process-tracing methodology, the research combines extensive elite interviews with documentary evidence and media coverage analysis to trace the causal mechanisms behind policy change. Through detailed case-studies of France, the UK, and OECD-led international negotiations, it shows how political salience created windows of opportunity for reform, while national economic interests shaped the scope and sustainability of policy change. The dissertation proposes a hybrid theoretical framework that integrates agenda-setting theories with interest-based models from comparative political economy. It suggests that political salience – raised and sustained by political entrepreneurs and media coverage – served as the primary catalyst for reform, transforming corporate tax policy from a technocratic matter into a politically urgent issue. It stresses the role of political intermediaries in the development and influence of political salience over public policy. The research challenges conventional explanations centered on partisanship and technocratic leadership, showing that these factors were secondary to the role of political salience in driving reform. It repositions international tax reform as a politically contingent – responsive to democratic accountability and domestic economic priorities even in complex, globally coordinated policy areas. This framework offers broader insights for understanding how states navigate competing pressures in other highly technical and politically salient domains, such as climate taxation, wealth regulation, and digital governance.

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List of Acronyms

ADS – Automated Digital Services
BEAT – Base Erosion and Anti-Abuse Tax
BEPS – Base Erosion and Profit Shifting
CCCTB – Common Consolidated Corporate Tax Base
CBI – Confederation of British Industry
CFC – Controlled Foreign Company
Commission – European Commission
CFC – Consumer-Facing Companies
FDII – Foreign-Derived Intangible Income
GAAR – General Anti-Avoidance Rule
GILTI – Global Intangible Asset Income
GloBE – Global Anti-Base Erosion Model Rules
HMRC – His Majesty’s Revenue and Customs
HMT – His Majesty’s Treasury
IDA – Irish Development Agency
LI – Liberal Intergovernmentalism
MLC – Multilateral Convention
OECD – Organisation for Economic Co-operation and Development
PAC – Public Accounts Committee
QDMTT – Qualified Domestic Minimum Top-Up Tax
SBC – Substance-Based Carveouts
SBIE – Substance-Based Income Exclusion
TCJA – Tax Cuts and Jobs Act
UK – United Kingdom
US – United States

Disclaimer on Interviews

This research has relied on the support and insights of many interviewees. Some have decided to remain anonymous and others are quoted by name. However, the conclusions in this research are solely the author’s and do not necessarily reflect the views or opinions of any of the interviewees.

CHAPTER 1: INTRODUCTION

Tax policy is an area of enduring significance. It is not only the essential engine of state functioning but also a powerful symbol of national sovereignty, legitimacy, and the social contract that binds citizens to their governments. As such, taxation is a critical lens through which political scientists can examine questions of authority, equity, and the very nature of statehood.

French political philosopher Jean-Jacques Rousseau described tax as the glue binding citizens to the state. Citizens agree to follow state authority, including to pay their taxes to the state, and in return the rulers exercising the state authority on behalf of citizens must act for the common good. Without taxation, there is no state capacity – no infrastructure, no public goods, no social safety net.

The U.S. founding father Benjamin Franklin captured this in his timeless observation that ‘nothing is certain except death and taxes’¹. Yet taxation is more than just a necessity; it is a source of constant contestation. When tax systems are perceived as unjust or exploitative, they can corrode public trust – and even ignite revolution.

As Alexis de Tocqueville noted²:

‘There is scarcely any public matter that does not arise from a tax or end in one’.

This connection between taxation and political upheaval is far from theoretical. From the French revolution to the Arab Spring, fiscal injustice has been a recurrent catalyst for unrest. Public discontent over how taxes are levied – or not levied – can erode confidence in the state.

Recent scholarship by Keen and Slemrod (2021)³ has demonstrated how tax grievances can spark revolution and play a pivotal role in uprisings across time and geography. As one advisor to President Macron starkly reminded us⁴:

‘The French Revolution started as a revolt over fiscal injustice and privilege, because the nobility paid no tax’.

¹ ‘Benjamin Franklin’s last great quote and the Constitution’, *National Constitution Centre*, 13 November 2023.

² Keen, M. and Slemrod, J. (2021), *Rebellion, rascals and revenue*, Princeton University Press, p4.

³ *Idem*.

⁴ ‘Ireland caught in a squeeze on corporation tax reform’, *Irish Times*, 11 June 2021.

In the modern era, the stakes remain high. A tax system perceived as unfair is not only politically fragile – it is economically inefficient. As Jeffrey Owens, former director of tax policy at the OECD, observed⁵:

‘Public confidence in the fairness of a tax system is critical if countries are to receive the vast majority of their revenues by means of voluntary compliance’

Rules for the taxation of multinationals entered the public spotlight in the early 2010s. A series of media coverage into multinationals’ tax affairs revealed how large firms operating across borders could significantly reduce their tax burdens by booking profits in low-tax jurisdictions. This reporting brought a new audience into the conversation about international tax design, particularly in relation to large technology companies, which quickly became the focus of political debates over flaws in international tax law. As public outrage mounted, policymakers scaled up their efforts to reform the global tax system.

This research starts from that premise. If we are to understand the durability and legitimacy of tax regimes, we must explore not only the technical or economic dimensions of policy but also how politics shape, constrain, or empower public policy.

Specifically, this PhD examines international tax reform through the lens of political responsiveness. It aims to contribute to both the academic field of public policy and the practical challenge of designing fair and effective tax systems at a time of public spotlight over relevant issues.

Drawing on qualitative process-tracing methodology, the research combines extensive elite interviews with documentary evidence and media coverage analysis to trace the causal mechanisms behind policy change. Through detailed case-studies of France, the UK, and OECD-led international negotiations, it shows how political saliency was driven by intense media scrutiny and the actions of specific political entrepreneurs. This surge in visibility created windows of opportunity for reform, while national economic interests shaped the scope and sustainability of policy change.

The research theory views tax reform outcomes as the product of an explosion in political saliency – sustained by political intermediaries and media coverage – combined with national economic considerations raised by national governments. When political saliency erupts – that is, when the public begins to care – issues previously viewed as situational are reframed as problems requiring action. The research argues that it is only after the issue of international tax became salient and was picked up by political elites – public figures or legacy media – that policy change became possible.

⁵ European Parliament subcommittee on tax matters (FISC) workshop Taxation of the Digital Economy, ‘Tax governance in an era of digitalisation’, by Jeffrey Owens, 12 February 2021.

It echoes what Kingdon (1984)⁶ called a ‘policy window’, which allows policymakers to ride the wave of opportunity with ready-made solutions. Indeed, government officials, motivated by re-election prospects, invest greater political capital in ‘problem issues’ because they will be rewarded by the electorate for fixing the issues that are considered most problematic.

The findings of this research reposition international tax reform as politically contingent – responsive to democratic accountability and domestic economic priorities even in complex, globally coordinated policy areas. These findings challenge conventional explanations centered on partisanship and technocratic leadership, showing that these factors were secondary to the role of political salience in driving reform.

1. Research Question

The reforms studied in this thesis include new tax laws implemented at both the international and national levels. The research investigates the passing of five domestic unilateral reforms and two rounds of internationally coordinated tax reforms under the umbrella of the OECD. Some of these reforms specifically targeted tech companies, while others applied more broadly to the world’s largest multinationals.

At the national level, the research looks at France’s so-called ‘Google Tax’ and Digital Services Tax, the UK’s Diverted Profits Tax and Digital Services Tax, and the EU’s Digital Services Tax. At the intergovernmental level, the research examines the Base Erosion and Profit Shifting (BEPS) Project 1.0 and 2.0.

The coexistence of these varied reform types within a short timeframe presents a puzzling case of public policy, in which governments pursued overlapping strategies to tax multinationals. It raises important questions about the drivers and constraints of tax policy in an era of digitalisation and economic globalisation. Precisely, the research aims to understand what led to the passing of tax reforms at the domestic and international levels in France and the United Kingdom.

This research asks:

⁶ Kingdon, J. (1984), *Agendas, Alternatives, and Public Policies*, New York: Longman Classics.

What explains the passing of corporation tax reforms targeting tech multinationals in France and the United Kingdom at multiple levels?

The dissertation proposes a hybrid theoretical framework that integrates agenda-setting theories with interest-based models from comparative political economy. It suggests that political salience – raised and sustained by political intermediaries and legacy media – served as the primary catalyst for reform, transforming corporate tax policy from a technocratic matter into a politically urgent issue. While national economic interests constrained the range of policy options available, political salience acted as the engine behind the passing of tax reforms.

Two sets of alternative explanations are tested in parallel to the research theory. The first set draws on partisanship theories, which suggest that governing coalitions pass reforms in line with their ideological leanings: left-leaning governments are expected to support more aggressive tax reform, while right-leaning ones may adopt a more business-friendly stance. The second set of alternative explanations concerns the role of the epistemic community – tax experts and technical professionals who, in this view, drive reforms regardless of political salience.

1.1. Case selection

This research examines the conditions under which France and the UK succeeded in passing tax reforms targeting large tech companies in the past two decades, from the 2010s onwards. The aim is to identify the political and economic factors that enabled or blocked these reforms.

In comparing France and the UK, this dissertation offers a policy framework that shows how democratic pressures and economic interests can converge in the passing of tax reform. It tells the story of policymakers working toward consensus – reconciling political and economic imperatives – in a climate of heightened public scrutiny. The study uses a comparative approach to analyse the policy pathways in each country that led to the adoption or rejection of specific tax measures.

A cross-country comparison of France and the UK offers varied but comparable examples of how public pressure influenced tax policy. Both countries experienced a surge in political salience around the taxation of Big Tech. Once a broader public became engaged with international tax debates, both governments increased their efforts to legislate, particularly in response to the perceived under-taxation of tech multinationals. Though neither country is the fiscal home of a tech giant, both serve as major consumer markets.

Mounting criticism in the media pressured policymakers to extract more tax revenue from foreign multinationals operating domestically. As Pascal Saint-Amans, Director of the OECD tax unit, put it⁷:

‘The Europeans have experienced what it is like to be a developing country. They had clever people coming in, making money, not giving anything back and then leaving.’

Despite some similarities, the positions of the French and British governments have diverged over time in both strategy and outcome. Both countries pursued tax reform at the domestic and international levels, but with differing degrees of success, shaped by domestic politics and national economic interests. The result is a pair of cases that are both comparable and distinct examples of high-salience economic policymaking.

The timeframe begins in the early 2010s – a moment that heightened media scrutiny and political attention of corporate tax policy amid an austerity climate. This period situates the research but the findings of this research can be exported to contexts beyond these years⁸.

1.2. Dependent variables

Policy reforms regarding the taxation of tech multinationals are the dependent variables of this research. A total of seven, interrelated tax reforms are under study. Taken together, domestic and international reforms are operationalised as a single dependent variable: the evolving architecture of multinational taxation, whether sector-specific (technology-focused) or economy-wide.

This research distinguishes between the five domestic reforms and two international reforms under study. The reason for this is that while both levels shape one another, ultimately international reforms supersede national measures and provide long-term, coordinated solutions. Indeed, as will be shown in this research, multilateral agreements were more desirable than unilateral measures: agreements made at the international level have a more permanent character because they have the capacity to deliver more thorough reforms of the global tax order than unilateral, uncoordinated measures would. They offer long-term consistency across tax jurisdictions, reducing tax avoidance loopholes, risks of double taxation and disagreements between jurisdictions.

⁷ ‘International income allocation rules outdated, OECD tax chief says’, *Law 360*, 4 February 2020.

⁸ further details on the contributions of this research will be given later in this chapter and the final conclusion.

One way to look at it is with the shield and the police: unilateral measures offered a shield, acting as a quick fix to tax avoidance, until international agreements – the police – were able to be put onto action for ending tax loopholes.

International reforms

Since 1960, the OECD has served as the main forum of negotiations for securing international tax agreements. The OECD has aimed to ‘develop normative tax principles that resolve conflicting claims of jurisdiction to tax cross-border income’⁹. Its principles are reflected in the OECD’s Model Tax Convention on Income and on Capital, which has its roots in earlier works by international organisations since the 1920s¹⁰.

Countries in turn aim to comply with agreements made around the OECD table to minimise disagreements on the right of each country to tax companies operating across borders, and to avoid the phenomenon of either double taxation, in which a company is taxed by more than one country on the same income, or double non-taxation, in which no country claims taxing rights over a company.

The Base Erosion and Profit Shifting (BEPS) project, developed under the umbrella of the OECD, became the main policy project in the 2010s for which countries got together to find a joint way to adapt tax laws to the growing digitalisation of the economy. Importantly, the project aimed to address the ‘digitalisation’ of the economy rather than target ‘digital companies’ alone – an important distinction that, as this research will show, did not always align with the objectives of all participating governments. The digitalisation of the economy refers to the phenomenon in which economic activity increasingly relies on digital inputs (e.g. data, software, e-commerce), making it difficult to draw a clear boundary around ‘digital companies’ and the rest of the economy.

The research looks at both rounds of international tax negotiations – referred to as BEPS 1.0 and BEPS 2.0. BEPS 1.0 was launched in June 2012 after the G20 officially mandated the OECD to work on addressing distortions in the current international tax framework. Following the G20 request, the OECD published an Action Plan in July 2013¹¹. Its aim was to reform international and domestic tax laws, so that ‘profits are taxed where economic activities occur and value is created’. It produced a list of fifteen recommendations, delivered in October 2015 and signed by over 90 countries. Most of these actions

⁹ Background, summary and implications of the OECD/G20 Base erosion and profit shifting project, US Congress Joint Committee on Taxation, 30 November 2015, p6.

¹⁰ Lara Friedlander and Scott Wilkie, “Policy Forum: The History of Tax Treaty Provisions--And Why It Is Important to Know About It,” 54 *Canadian Tax Journal* No. 4 (2006).

¹¹ G20 (2013), Leaders’ Declaration, St. Petersburg, Russia; OECD (July 2013), Action Plan on Base Erosion and Profit Shifting, Paris: OECD Publishing.

were adopted, overruling reforms with respect to mismatch across national laws, treaty abuse, transfer pricing of intangible assets, and tax challenges specific to the growing digitalisation of the economy¹².

Action 1 concerned the redefinition of the notion of permanent establishment for taking account of digital businesses operating without physical presence¹³. Only a report was produced with no binding solution. It was the action which targeted most closely the challenges raised by Big Tech. The proposal included a new concept of ‘digital presence’, from which both the home country of the ultimate parent company, and the market jurisdictions in which companies operate¹⁴, would receive taxing rights.

Yet, the difficulties in determining in which country ‘value’ is created meant that no consensus was made on how companies make profit, and therefore where their income should be taxed. Countries disagreed on how to reform the existing notion of ‘permanent establishment’, from which the right to tax a company is based.

Thus, difficulties in agreeing on a definition and application of this new concept of digital presence meant that the BEPS project, despite bringing substantial changes, did not address the issue most salient to voters.

BEPS 2.0 was launched in June 2016. Members of the G20 mandated the OECD to expand its efforts at addressing the tax challenges arising from the digitalisation of the economy. BEPS 2.0 was extended into a new ‘OECD/G20 Inclusive Framework’, whose first inaugural meeting in Kyoto, in June 2016, included 82 countries¹⁵. The G20 summit in March 2017 gave it a new impetus¹⁶, and the first significant BEPS 2.0 report was published in 2018¹⁷. After several policy drafts and interim reports, a multilateral agreement was agreed and signed in October 2021 by 138 jurisdictions¹⁸.

The final BEPS 2.0 agreement was constituted of two ‘pillars’. Its aim was to address disagreements over who is to tax which company, and at which rate. First, a reallocation of a certain share of taxing rights from the company’s home country to where it operates, the market jurisdiction. Second, a global minimum tax of 15% setting a floor on the rate at which companies should be taxed.

¹² OECD (October 2015), Taxing Multinational Enterprises, BEPS, Policy Brief Update n°3; OECD (October 2015), Addressing the Tax Challenges of the Digital Economy, Final Reports, Executive Summaries, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

¹³ OECD (October 2015), Addressing the Tax Challenges of the Digital Economy, Action 1: Final Report, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

¹⁴ the mobility of intangibles, users and consumers, and business functions, has made it increasingly harder for countries to agree on where ‘companies operate’ and ‘value is created’ in a digitalised economy.

¹⁵ OECD (30 June 2016), ‘First meeting of the new inclusive framework to tackle Base Erosion and Profit Shifting marks a new era in international tax co-operation’, OECD.org.

¹⁶ G20 (2017), Leaders Declaration, Baden-Baden, Germany.

¹⁷ OECD (March 2018), Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

¹⁸ OECD (8 October 2021), Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy, OECD/G20 BEPS project.

Domestic reforms

In parallel, domestic tax reforms targeting multinationals from the tech sector were also passed in several countries, including in France and the United Kingdom. These included Diverted Profits Taxes (DPTs) and Digital Services Taxes (DSTs).

Diverted profit taxes (DPT) aimed to withhold taxes on profit suspected to be shifted artificially out of the country. These taxes addressed only some of the challenges in the current international tax system, leaving aside a more thorough reform of the notion of ‘permanent establishment’ – the legal notion in tax legislation that defines where a company should be taxed.

The UK proposed a Diverted Profits Tax (DPT) in 2014, nicknamed the ‘Google Tax’, which became law in March 2015. The then-Chancellor of the Exchequer, Philip Hammond, introduced it in his Autumn Statement, explicitly calling out tech multinationals for aggressive tax avoidance. He called out¹⁹:

‘Big multinational businesses ... including those in the tech sector (which) use elaborate structures to avoid paying taxes’.

A draft legislation was published on the following week²⁰, and the new tax was included in the March 2015 Finance Act²¹.

Several attempts were made in France to introduce a similar measure from the early 2010s, culminating in a tax proposal dubbed the ‘Taxe Google’ and included in the government’s 2017 Finance Bill (December 2016)²². However, the French Constitutional Court rejected it on legal grounds²³.

The other set of domestic reforms, digital services taxes (DST), were implemented in both France and the UK during the BEPS 2.0 international negotiations. These were turnover-based taxes designed to operate outside traditional fiscal conventions, which usually tax profit where a company has a permanent establishment. DSTs allowed countries to act unilaterally while awaiting international agreement. However, they strained transatlantic relations between Europe and the U.S., whose firms were most affected.

¹⁹ ‘Chancellor George Osborne’s Autumn Statement 2014 speech’, Oral statement to Parliament, 2 December 2014, Gov.uk.

²⁰ HMRC, Diverted Profits Tax, Policy Paper, 10 December 2014.

²¹ House of Commons, Finance Act 2015, Government Bill, Diverted profits tax, Part Three, s.77-127, session 2014-15.

²² Sénat, Budget 2017, Loi de finances pour 2017, Dossier législatif n°2016-1917, 29 December 2016.

²³ Conseil Constitutionnel, Loi de Finances pour 2017, Décision n°2016-744 DC, 29 December 2016, article 78.

In September 2017 the French finance minister asked the European Commission to develop a digital services tax proposal²⁴, which was first submitted to European finance ministers in March 2018²⁵. After several member-states vetoed it, the French government drafted its own proposal for a domestic digital services tax, presented to the French Parliament in March 2019²⁶. Referred to by the acronym of '*Taxe Gafa*'²⁷, after the four tech giants Google, Alphabet, Facebook and Apple, it came into law in July 2019²⁸.

In parallel, the British Chancellor raised the option of a digital services tax in his 2017 Autumn Budget²⁹. A year later, he presented a proposal for a digital services tax³⁰, setting its implementation to April 2020³¹.

Together, these international and domestic reforms form a single dependent variable – the changing architecture of multinational taxation, whether focused solely on tech or applied more broadly. The seven policy reforms under study are interrelated. Domestic reforms influence international agreements and the latter supersede the former.

1.3. Measuring policy outcome

For each policy outcome, the research infers a value of 'pass' or 'fail'. The former, 'pass', is defined as the validation of a legislation by parliament in the case of domestic proposals, or the signature of a multilateral agreement by heads of state in the case of international negotiations. The second value, 'failure', means that a policy proposal was put forward but rejected by decisionmakers, whether by parliamentarians at the national level or government officials at the international level.

This binary framing between 'pass/failure' means that no case will fall into partial passing or failure. The reform is adopted/signed or not adopted/signed. It allows the research to focus on the reasons that led these reforms to become politically possible.

²⁴ 'Le plan français pour taxer Google', *Le Parisien*, 9 September 2017.

²⁵ European Commission, Taxation and Customs Union Directorate, Fair Taxation of the Digital Economy: Proposal for a Council Directive on the common system of a digital services tax, COM(2018) 148 final, 21 March 2018, Europa.EU.

²⁶ Assemblée nationale, Projet de loi portant création d'une taxe sur les services numériques, Procédure accélérée, 6 March 2019.

²⁷ Assemblée nationale, Taxe sur les services numériques et impôt sur les sociétés (taxe Gafa), projet de loi, 6 March 2019.

²⁸ Journal Officiel de la République Française, 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, 24 July 2019.

²⁹ HM Treasury, Corporate Tax and the Digital Economy: Position Paper, November 2017; HM Treasury, Corporate Tax and the Digital Economy: Position Paper Update, March 2018.

³⁰ HM Treasury, Budget 2018, HC 1629, October 2018 p38 (Table 2.1 – item 53); PQ236552, 28 March 2019.

³¹ HMT/HMRC, Digital Services Tax: consultation, November 2018 paras 1.17; HMRC, Digital Services Tax: Policy Paper, 11 March 2020; HM Treasury, Finance Bill Explanatory Notes, 19 March 2020, p.96, para.6.

An important caveat in the research’s methodology is that it excludes critical questions of whether agreed policies were effectively implemented or produced their intended effects. Pillar One is classified as a ‘pass’ on the basis of its formal adoption, even though its prospects for implementation appear remote. Arguably, a pivotal actor in the negotiations, the United States, signed with no intention of implementing it. The final chapter of this dissertation elaborates on this scenario. Nonetheless, the focus of this research is on how reforms became possible. The challenges specific to Pillar One implementation do not alter the dissertation’s core conclusions regarding the role of political salience – and of political intermediaries and legacy media – in propelling the issue into the political arena and thereby advancing policy debate.

Additionally, the role of technocrats from the epistemic community – the key alternative variable in this research – may also differ between the adoption and implementation stages. Experts may regain influence once reforms move into a quieter arena less driven by political imperatives, though policies can also regain salience during implementation, bringing politics back to the fore. Both patterns have precedent. Accordingly, this dissertation’s contributions lies in explaining the passing of international legislation rather than its implementation, without ruling out other explanations for success or failure at later stages for BEPS 2.0’s Two-Pillar agreement.

The table below summarises the policy reforms under study in this research. At the national level, two reforms are classified as successful and three others are unsuccessful. At the international level, the first attempt of BEPS is classified as unsuccessful, whereas BEPS 2.0 was successfully signed by participating countries.

Table 1: Seven Tax Reforms Under Study

	2015 DPT	2015 BEPS	2016 DPT	2018 DST	2019 DST	2020 DST	2021 BEPS
Interim	x		x	x	x	x	
Final		x					x
Outcome	pass	fail	fail	fail	pass	pass	pass
Level	UK	International	France	European	France	UK	International

In sum, the research tests the drivers of tax reforms at both the domestic and international levels. It looks at seven different tax reforms and studies the role of political salience and national economic

interests, as well as two alternative explanations on partisanship and the role of the epistemic community, in the passing or not of a new tax policy.

2. Methodology

2.1. Process-tracing

The methodology adopted in this research is one of qualitative process-tracing. The aim is to use qualitative analysis to identify whether one or multiple factors that led to policy outcomes correspond to the predictions of the research theory.

The process-tracing method identifies a series of explanatory variables – the causal factors – which are used to explain a particular outcome³². These contribute to the external validity of the findings as they can be translated into other areas. They are ‘portable concepts’ in going beyond the events identified in the specific context of the research. They ‘identify relationships between conditions and outcomes that can be applied to other contexts’³³.

For instance, in the case of this research, an identifiable event could be a ‘series of protests’ or ‘a media storm’ over the issue of taxing tech multinationals. The explanatory variable of both of these events is the degree of political salience which drove tax reforms forward.

Qualitative process-tracing is better suited for this research than a quantitative study because it analyses nuances in the explanatory forces of several factors. It would be challenging if not impossible to reflect or quantify accurately the complexities of multilevel policy processes without a qualitative narrative supporting the research. One caveat of process-tracing is the risk of multicollinearity, where it becomes difficult to draw strong conclusions on the influencing power of one variable. Nonetheless, disentangling the exact ‘amount’ of each intervening force is not the aim of a qualitative process-tracing methodology. Ocantos (2016)³⁴ defines process-tracing as the method of looking at ‘how’ rather than ‘how much’: it provides an explanation for the processes leading to an outcome of interest.

³² Goertz, G. and Mahoney, J. (2012), *A Tale of Two Cultures: Qualitative and Quantitative Research in the Social Sciences*, Princeton University Press.

³³ Falleti, T. (2006), ‘Theory Guided Process Tracing in Comparative Politics’, APSA Comparative Politics Newsletter, Vol.17, Issue 1, pp9-14; Falleti, T. (2016), Process Tracing of Extensive and Intensive Processes, *New Political Economy*, Vol.21, Issue 5, pp455-462.

³⁴ Ocantos, E. (2016), *Shifting Legal Visions: Judicial Change and Human Rights Trials in Latin America*, New York University Press: Cambridge University Press.

Crucially, process-tracing allows for both the testing and generating of hypotheses. It works by gaining in-depth insights of a situation to both assess and discover the intervening factors at play. Hall (2003)³⁵ offers a detailed method of ‘systematic process analysis’. He suggests to start with a set of theories that identify relevant causal factors, and make predictions on what should be observed to reject or validate these hypothesised factors.

The method then aims to gather sufficient information to confirm or disconfirm a set of countervailing and contributing factors. It does not need to find an intervening factor that would be the silver bullet explaining everything. The process is one of elimination: it looks at rejecting alternative hypotheses as much as explicitly validating the main hypothesised causal chain. In order to do so, the method requires a very fine-grained analysis of each node of the process. It needs to fulfill the ‘completeness standards’³⁶.

There are four common tests used for identifying causal process observations in the event under study. These tests were largely developed by Bennett (2008, 2010), who built on earlier works by Van Evera (1997)³⁷. For each observation, it is asked whether the evidence boosts confidence in a specific hypothesis and challenge competing explanations.

What observations affirm or contradict the hypotheses? A ‘hoop test’ describes a necessary but insufficient evidence to confirm a hypothesis. A ‘smoking gun test’ describes one that is not necessary but almost sufficient. A ‘doubly decisive test’ is not necessary but sufficient. A ‘straw in the wind’ is neither necessary nor sufficient. As Collier (2011)³⁸ argued, these tests are a useful heuristic but are not to be taken rigidly: a straw-in-the-wind can be the foundation for a hoop, a doubly decisive can emerge from a smoking gun, ect.

³⁵ Hall, P. (2003), *Aligning Ontology and Methodology in Comparative Research*, Cambridge University Press.

³⁶ Waldner, D. (2014), *What Makes Process Tracing Good?*, in Bennett, A. and Checkel, J., eds *Process Tracing*, Cambridge University Press, pp126-151.

³⁷ Bennett, A. (2008), *Process Tracing: A Bayesian Approach*, *Oxford Handbook of Political Methodology*, Oxford University Press; Bennett, A., *Process Tracing and Causal Inference*, in Collier, D. and Brady, H. (2010), eds *Rethinking social inquiry: diverse tools, shared standards*, New York: Rowman and Littlefield; Van Evera, S. (1997), *Guide to Methods for Students of Political Sciences*, Cornell University Press.

³⁸ Collier, D. (2011), *Understanding Process Tracing*, Vol. 44, Issue 4, Cambridge University Press.

The following table provides a summary of the process-tracing tests and how they help validate or disqualify hypotheses.

Table 2: Illustrative Evidence Classified by Process-Tracing Test Type.

Example	Statement / Evidence	Test Type	What the Evidence Does	What It Does Not Do
Political Risk	‘If we did not act, we risked losing the elections’	Smoking-Gun (Unnecessary but Sufficient)	Validates the claim that political salience played a critical role in driving policy action.	Does not eliminate the possibility that interest-based explanations also influenced the outcome.
Economic Cost	‘We could not afford to hit the economy for a couple of hundreds more in tax revenue’	Smoking-Gun (Unnecessary, but Sufficient)	Strong support for the argument that economic retaliation (e.g., US trade threats) was taken seriously by decision-makers.	Does not confirm whether political salience played a decisive role in that moment.
Political Entrepreneurship	‘The hearings run by Margaret Hodge elevated the issue to a higher political echelon’.	Hoop Test (Necessary, but Insufficient)	Increases confidence in the claim that specific political actors helped raise salience and pressure for action.	Does not prove that, without these entrepreneurs, the same outcome wouldn’t have occurred.

2.2. Data collection

Finally, in regard to data collection, it is important to gather evidence from a diversity of sources to reconstruct the chain of events adequately.

The research relies on the triangulation of official documents from governments, parliaments, as well as the European Commission and OECD, with other relevant actors in the process, namely: media sources, civil society documents from think-tanks and NGO actors, and business group communications.

The data are complemented by 56 elite interviews with policy officials, journalists and representatives from the civil society or private sector who played a role in the reform process as direct actor or first stage witness.

3. Theory and Literature Review

3.1. Theoretical Groundwork

This section lays the theoretical foundations upon which the research is built. It moves beyond a conventional literature review by critically engaging with key scholarly debates on policy reform and state preferences, with a focus on understanding the political dynamics behind the passing of tax measures targeting tech multinationals in France and the UK.

The research proposes a theory of policy change grounded in the interplay between political saliency and national economic interests. These are the two independent variables used to explain the success or failure of tax reforms targeting cross-border corporate activity. They shed light on the explanatory factors for the passing of new tax rules for companies operating across borders.

By tracing how political saliency and economic dependencies shape government preferences and timing, the section synthesises relevant agenda-setting theories and political economy scholarship. The aim is not only to review existing theories but to build an integrated explanation for why two liberal democracies advanced contentious unilateral tax reforms in defiance of multilateral norms and industry opposition.

Drawing on political economy scholarship, the research expects governments to seek winning coalitions among key economic sectors before advancing tax reforms, with critical industries having more influence than marginal ones in determining national economic interests.

At the same time, the research builds upon the political saliency literature. At its core, political saliency refers to the degree of public visibility and intensity of voters' concern surrounding a particular policy issue. Unlike mere voter preference, saliency reflects the extent to which the public cares deeply enough about an issue to act on it – by protesting, voting, and rewarding politicians who meet their demands. Scholars of saliency argue that it can reshape the policy agenda. As political saliency increases, the pressure on governments increases – even when dominant economic coalitions are resistant.

The research theory anticipates that policymakers weigh these two forces – political saliency and economic interests – when deciding how and when to act. Both dynamics are relevant at the domestic and international levels and are not mutually exclusive. They interact in dynamic ways.

The core argument is that saliency was a key factor to place taxation on the political agenda at both the national and international levels, whereas economic interests defined the boundaries of what was possible in designing tax reforms. Saliency elevated the issue to a policy priority, prompting governments to respond, often by balancing short-term, unilateral domestic reforms (to meet current political pressure) with longer-term multilateral negotiations (to meet business preferences). A further contribution of this research is to explicate how public figures and legacy media generated and sustained political saliency, demonstrating that saliency is a cultivated construction rather than an exogenous shock.

3.1.a. The Role of Political Saliency in Policy Change

The first component of the research theory focuses on the role of political saliency in shaping policy change. Drawing on the literature concerning issue intrusion and agenda setting, the theory argues that the visibility and urgency of tax issues, particularly in the context of Big Tech taxation, are essential triggers for reform. Unlike voter preference, which may be passive, saliency signifies active public engagement and political attention that exert democratic accountability pressures on elected officials. High saliency characterises an area of active engagement – where voters care deeply enough about an issue to take action, whether through voting, protesting, or holding politicians accountable. Saliency is constructed through intense media scrutiny and political actions by public figures, which turn attention towards a previously disregarded issue.

Once political saliency surges, policymakers are not only empowered but compelled to respond. Not doing so could jeopardise their position if further media coverage and political interventions show a negative light on their inaction. Saliency, in this sense, can fundamentally shift policy dynamics, enabling reform where inertia or elite consensus previously prevailed. It acts as the necessary fertiliser that allows solutions to grow and reforms to take root.

As such, saliency functions as a mechanism of democratic accountability, compelling elected officials to respond when previously obscure issues move into the public spotlight. In high-saliency areas, voters are likely to protest alternative policies and reward politicians that follow their demands. When an issue becomes salient, a ‘window of opportunity’ opens, enabling policymakers to respond to public demands, though the exact policy outcomes may vary. Solutions may slightly differ across policymakers, but the direction of a policy debate follows what is most salient to the people.

By contrast, low saliency describes domains where public attention is limited and largely quiescent to what policymakers do. Political activity remains muted, described as ‘esoteric’ (Moran, 1991)³⁹ or ‘quiet’ (Culpepper, 2011).

Importantly, saliency is dynamic, not fixed. Although technical complexity can discourage public interest, no policy domain is inherently immune to becoming politically salient. Downs’ (1972)⁴⁰ issue-attention cycle describes how policy issues rise and fall in public visibility, reinforcing the idea that saliency is fluid and non-static. This is significant for public policy scholars: it shows that an increase in public attention will result in a shift in the government’s policy agenda.

Political saliency also alters power dynamics by broadening the range of influential actors. Culpepper’s (2011)⁴¹ study of corporate governance reforms found that increased public outrage diminished the dominance of business expertise. High saliency forces elected officials to engage beyond industry leaders, incorporating inputs from journalists, NGOs, activists, and other societal groups. This ‘levelling’ effect expands democratic participation in policymaking. Saliency, in this sense, allows non-industry actors greater access and influence.

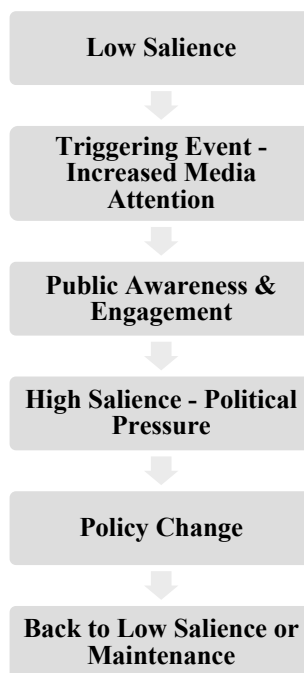
³⁹ Moran, M. (1991), *The Politics of Financial Services Revolution: The USA, UK and Japan*, Basingstoke, UK: Macmillan.

⁴⁰ Downs, A. (1972), Up and down with ecology: the issue attention cycle. *Public Interest*, Vol.28, Issue 1, pp38–50.

⁴¹ Culpepper, P. (2011), *Quiet politics and business power: corporate control in Europe and Japan*, Cambridge University Press.

Visual 1. illustrates a key claim from the saliency literature, according to which an increase in political saliency leads to policy change. However, alternative outcomes are possible – saliency may not result in policy change, particularly in the absence of policy entrepreneurs or legacy media that keep the issue in the public eye. The sections that follow explore the dynamics of political saliency in greater depth. This graph presents a straightforward, initial example of a positive feedback loop in which rising saliency drives policy change.

Visual 1: The Effect of Political Saliency on Policy Change.



Theoretical Models of Saliency and Agenda-Setting

This research builds upon an extensive body of scholarship that demonstrates how political saliency fundamentally shifts policymaking processes, especially in areas previously insulated from public scrutiny. Several models conceptualise the relationship between political saliency and policymaking as a process of issue intrusion and agenda-setting.

In their ‘garbage can model’, Cohen, March and Olsen (1972)⁴² argue that government officials look for salient issues to address. A variety of issues bubble in the background, until some of them become important enough to catch the government’s attention – at this given time, a policy window opens to fix this relevant issue.

Cobb et al. (1976)⁴³ designed a three-step model to agenda formation concluding that a new issue enters the agenda (step 3) after being initiated (step 1) and elevated (step 2) to the point of garnering enough interest from the public. This model underscores the reactive nature of policymaking: if the status quo becomes a problem, change becomes not only easier but also necessary. It means that policy issues are not necessarily new: they can have existed as ‘situations’ in the past, but something has moved the status quo from seeing it as a situation to seeing it as a problem.

Kingdon’s (1984)⁴⁴ concept of a policy window is particularly influential. He argues that policy change becomes possible when the policy and politics streams align, often catalysed by a surge in public attention. It is the pairing of salient issues from the ‘problem stream’ with solutions from the ‘policy stream’ that triggers a policy change. After an issue is recognised, as opposed to the issue being treated as situational, the issue goes from an acceptance of the status quo, or a mere preference for a change the importance, to a moment where action becomes necessary to tackle the ‘problem’.

Mansbridge (2003)⁴⁵ also theorised the way ruling governments act upon unforeseen events of high importance with the ‘promissory representation’ model. According to the latter, parties must act not only on their pledges but also on newly salient issues. Thus, what a party does in power is conditional upon factors that are external to the party’s initial agenda. It follows a four-step model: parties make specific pledges during campaigns, voters choose according to these pledges, when in government the ruling parties will act upon both some pledges and unforeseen events, and at the next election voters will choose based on both the fulfilment of pledges and the records of the party when in power.

⁴² Cohen, M., March, J. and Olsen, J. (1972), ‘A Garbage Can Model of Organizational Choice’, *Administrative Science Quarterly*, Vol.17, pp1–25.

⁴³ Cobb, R., Ross, J., and Ross, M.H. (1976), Agenda Building as a Comparative Political Process, *The American Political Science Review*, Vol.70, Issue 1, pp126-138.

⁴⁴ Kingdon, J. (1984), *Agendas, Alternatives, and Public Policies*, New York: Longman Classics.

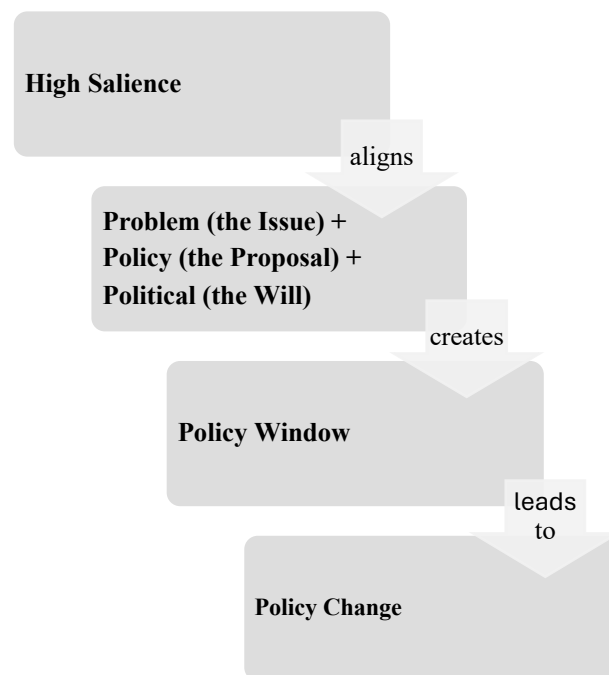
⁴⁵ Mansbridge, J. (2003), Rethinking Representation, *Cambridge University Press*, Vol.97, Issue 4, pp515-528.

Mortensen et al. (2011)⁴⁶ extend Mansbridge’s model in the ‘issue intrusion thesis’, arguing that the government is responsible and therefore will have to act upon arising issues of high importance.

Finally, Soroka and Wlezien (2010)⁴⁷ developed a ‘thermostatic model’ that analyses public responsiveness to what policymakers do, concluding that the latter would be more responsive to public demands on issues close to the ‘more’ edge, defining issues that people care a lot about, than on issues closer to the ‘less’ edge, for which the public remains largely inattentive.

Visual 2. Provides an illustration of the theoretical claim according to which political saliency opens a policy window for reform. Issue attention turns a policy area into a challenge that requires a response from policymakers.

Visual 2: Theoretical Model of Issue Attention and Political Saliency.



⁴⁶ Mortensen, P. B., Green-Pedersen, C., and Breeman, G. (2011), Comparing Government Agendas: Executive Speeches in the Netherlands, United Kingdom and Denmark, *Comparative Political Studies*, Vol.44, Issue 8.

⁴⁷ Soroka, S. and Wlezien, C. (2010), Public Opinion and Public Policy, *Oxford University Press*, pp263-280.

Empirical Evidence Linking Salience and Policy Change

Multiple scholars have added to this literature in providing further evidence of how political salience can erupt and reshape political landscapes unpredictably. Empirical studies corroborate these theoretical models, showing that heightened salience correlates with substantial policy shifts, while low salience leads to incremental or no change.

Budge and Hofferbert (1990)⁴⁸ measured government responsiveness to saliency according to spending patterns, finding that ruling parties emphasise the issues on which they focus the most spending.

Baumgartner and Jones (1993, 2012)⁴⁹ show that drastic changes are associated with heightened government attention. Without salience, change is incremental. In their second study, they link episodic policy change to surges in government attention, arguing that salience disrupts incrementalism and expands the range of policy options considered. Their work on bounded rationality suggests that policymakers, overwhelmed by information, prioritise only a small number of issues – typically the most politically salient.

Culpepper (2011) demonstrated that when corporate governance reforms became noisy following the 2008 financial crisis, policymakers shifted from deference to business elites to direct public responsiveness. The move to an arena of ‘noisy politics’ redistributed the cards about what matters for policymakers. Whereas the latter relied on business expertise for low-salience issues, preferences from a wider pool of voters became represented in policy forums under the high-salience environment. The eruption of salience activated journalists, NGOs and citizen watchdogs, leading business representatives to compete on a more equal footing with other stakeholders for policymakers’ attention.

Bevan and Greene (2016)⁵⁰ show that governments behave differently when gaining power at times of economic recession or economic growth. At times of economic stress, they are more responsive to voters on core economic issues as the latter are more sensitive to economic policy changes. These ‘core’ issues are trans-partisan (Jennings et al. 2011).

⁴⁸ Budge, I. and Hofferbert, R. I. (1990). Mandates and Policy Outputs: US Party Platforms and Federal Expenditures. *American Political Science Review*, Vol.84, Issue 1, pp111-131.

⁴⁹ Baumgartner, F. and Jones, B. (1993), *Agendas and instability in American Politics*, University of Chicago Press; Baumgartner, F. and Jones, B. (2012), From there to here: punctuated equilibrium to the general punctuation thesis to a theory of government information processing. *The Policy Studies Journal*, Vol.40, Issue 1.

⁵⁰ Bevan, S. and Greene, Z. (2016), Looking for the party? The effects of partisan change on issue attention in UK Acts of Parliament, *European Political Science Review*, Vol.8, Issue 1, pp49-72.

Langer and Gruber (2021)⁵¹ argue that saliency itself does not always generate new information, but it does signal to policymakers that a window of opportunity has opened. This can make reform not only possible but politically necessary, especially when failure to act could incur electoral costs. The theory follows a reactive dynamic: if the status quo becomes a problem, change becomes not only easier but also necessary.

Political Entrepreneurs as Catalysts of Saliency-Driven Change

Importantly, models of issue intrusion and political saliency add that saliency does not act alone. As Culpepper (2011) and Ibsen et al. (2021)⁵² argue, no issue is inherently quiet. Saliency is constructed, often through media exposure and political entrepreneurship.

Political entrepreneurs are skilled public actors capable of framing issues and mobilising support. They play a pivotal role in transforming saliency into policy change. In *Rhetoric*, Aristotle had already conversed on the power of good narration, listing various ways through which a speaker can persuade people. Communicating a policy goal is an integral part of building a winning coalition for a proposal.

Kingdon (1984) analysed the ability of successful policymakers to frame problems, build coalitions and persuade others that a policy proposal can fix a salient issue. He emphasised the need for change-makers to acquire oratory skills⁵³:

They need ‘argumentation, persuasion and marshalling evidence ... in other words, participants traffic in the world of ideas’; ‘sometimes ideas fail to surface ... not because people are opposed to them ... but because people simply find the subjects intellectually boring ... Policymaking is often a process of creating intellectual puzzles and extracting people from these dilemmas’.

Kingdon’s findings were echoed, for instance, by Robinson (2017)⁵⁴’s research on emotional appeals or Baumgartner and Jones (1993, 2005)⁵⁵’s research on policy image and attention. Baumgartner and Jones (2005) described the ways politicians can reorient the focus on an issue previously outside the

⁵¹ Langer, A. I., & Gruber, J. B. (2021), Political agenda setting in the hybrid media system: Why legacy media still matter a great deal. *The International Journal of Press/Politics*, Vol.26, Issue 2, pp313-340.

⁵² Ibsen, C. L., Ellersgaard, C. H. and Larsen, A. G. (2021), Quiet Politics, Trade Unions and the Political Elite Network: the Case of Denmark, *Politics and Society*, Vol.49, Issue 1, pp43-73.

⁵³ Kingdon, J. (1984), *Agendas, Alternatives, and Public Policies*, New York: Longman Classics, pp126-127); Culpepper, P., Jung, J. and Lee, T. (2023), *Banklash: How Media Coverage of Bank Scandals Moves Mass Preferences on Financial Regulation*, *American Journal of Political Sciences*, pp1-18, and Ziegler, N. and Wooley, J. (2016), After Dodd-Frank: Ideas and the Post-Enactment Politics of Financial Reform in the United States, *Politics and Society*, Vol.44, Issue 2, pp249-280, also showed how policy entrepreneurs use public demands for greater financial regulation to advance their regulatory proposals.

⁵⁴ Robinson, P. (2017), Learning from the Chilcot Report: Propaganda, deception and the ‘War on Terror’, *International Journal of Contemporary Iraqi Studies*, Vol.11, pp47–73.

⁵⁵ Baumgartner, F. and Jones, B. (1993), *Agendas and instability in American Politics*, University of Chicago Press; Baumgartner, F.R. and Jones, B.D. (2005), *The Politics of Attention*. Chicago: University of Chicago Press.

mainstream political radar. Kingdon (2011)⁵⁶ defines these figures as activists with a particular interest in the success of the policy – they are ‘advocates willing to invest resources ... to promote a position in return for anticipated future gain’. Oborn et al. (2011)⁵⁷ described how they can ‘broker between interests, acting as a liaison, translator, and buffer’ for the varied set of stakeholders. They have the discursive power to frame salient issues in a way that is consistent with their proposal and convincing to the broader policy community.

The focus on policymakers’ framing power in presenting potential solutions is relatively new: Béland (2016)⁵⁸, revisiting Kingdon’s legacy, stressed the role of ideas in pushing political actors to focus their efforts on some issues and not others. Béland placed the ‘ideational turn’⁵⁹ in the late 1990s to early 2000s, during which more research was produced on the impact of ideas, and related factors such as discourse and framing, over policy changes⁶⁰.

In the same vein, Jabko and Massoc (2012)⁶¹ argued that the lack of radical banking reforms after the 2008 financial crisis derived from the fact that banks were portrayed as ‘national champions’, and their interests therefore had to be ‘protected’. Massoc (2019)⁶² later looked at the passing of a tax on stock transfers in France, at the turn of the 19th century, as the result of French policymakers ‘capitalising more on public discontent (against finance), framing the tax in simple and antagonistic terms’, whereas their US counterparts did not do so and failed to pass a similar tax.

Wolfsfeld (2022)⁶³ also explained the central role of political actors in raising the saliency of specific issues by their easy access to the media, confirming in this way the gatekeeping role of the media in channelling information: ‘those with political power enter the media through the VIP gate, which provides them with many advantages over those who are forced to come in through the back entrance’.

For example, Forstater and Christensen (2017)⁶⁴, looking at some of the tax reforms under study in this research, emphasised the role of ‘political champions’ in driving policy discussions. Culpepper and Lee

⁵⁶ Kingdon, J. (2011), *Agendas, Alternatives, and Public Policies*, Boston: Longman, p168.

⁵⁷ Oborn, E., Barrett, M. and Exworthy, M. (2011), Policy Entrepreneurship in the Development of Public Sector Strategy: The Case of London Health Reform, *Public Administration*, Vol.89, Issue 2, p327.

⁵⁸ Béland, D. (2016), Kingdon reconsidered: ideas, interests and institutions in comparative policy analysis, *Journal of Comparative Policy Analysis*, Vol.18, Issue 3, pp228-242.

⁵⁹ Blyth, M. (1997), Any more bright ideas? The ideational turn of comparative political economy, *Comparative Politics*, Vol.29, Issue 2, pp229-250.

⁶⁰ Yee, A. S. (1996), The Causal Effects of Ideas on Policies, *International Organization*, Vol.50, Issue 1, pp. 69–108; Béland, D. (2005), Ideas and social policy: an institutionalist perspective, *Social Policy and Administration*, Vol.39, Issue 1, pp1-18; Mehta, J., (2011), The varied roles of ideas in politics: From “whether” to “how,” in: D. Béland and R. H. Cox (Eds) *Ideas and Politics in Social Science Research*, New York, NY: Oxford University Press.

⁶¹ Jabko, N. and Massoc, E. (2012), French capitalism under stress: How Nicolas Sarkozy rescued the banks, *Review of international political economy*, Vol.19, Issue 4, pp562-585.

⁶² Massoc, E. (2019), Taxing stock transfers in the first golden age of financial capitalism: political salience and the limits on the power of finance, *Socio-Economic Review*, Vol.17, Issue 3, pp503-522.

⁶³ Wolfsfeld, G. (2022), *Making Sense of Media and Politics: Five Principles in Political Communication*, London: Routledge.

⁶⁴ Forstater, M., & Christensen, R. C. (2017), New Players, New Game: The role of the public and political debate in the development of action on international tax issues, *European Tax Policy Forum Research Paper*.

(2022)⁶⁵ looked at the role of US Senator Carl Levin in ‘marshalling the force of public opinion’ for stringent financial regulation with his resolute line of questioning during the hearings of Goldman Sachs’ chief executive.

The Media’s Role in Shaping Political Saliency

Additionally, scholars who look at the mechanisms of an eruption of saliency also highlight the role of the media in the eruption of political saliency. Extensive evidence has been published on how the media functions as a policy actor in its own right, capable of shaping the political agenda and increasing the likelihood of reform. Legacy media – defined as long-standing news outlets with both digital and print formats – retain pivotal agenda-setting power despite information decentralisation⁶⁶.

Cobb and Elder (1971)⁶⁷ were amongst the first to describe the media’s gatekeeping function in issue expansion. In their three-step policy model, they saw the media as key to group mobilisation and issue expansion in the process of agenda formation.

Their work was expanded by Downs’ (1972)⁶⁸ model of ‘issue-attention cycle’, in which he described the life cycle of policy issues. According to the latter, policy issues are expected to move across high and low saliency areas since public attention is non-static. The media plays a filtering role in picking which issue to make salient.

Both Jones and Baumgartner’s (2005) theory of information processing, and Jones and Wolfe’s (2010)⁶⁹ detection theory, strengthened this view that the media serves as the core channel for filtering and channelling information.

Media saliency often follows a self-reinforcing cycle: coverage generates further attention, which in turn compels politicians to respond in order to maintain credibility and voter support. Boydston (2013)⁷⁰ describes this as a process where ‘media coverage begets coverage’. It echoes Culpepper (2011), who argues that the more a story resonates with public concerns, the more journalists are incentivised to

⁶⁵ Culpepper, P. and Lee, T. (2022), *The Art of the Shitty Deal: Media Frames and Public Opinion on Financial Regulation in the United States*, *Socio-Economic Review*, Vol.20, Issue 2, pp635-657.

⁶⁶ Castells (2013); Chadwick (2017); Entman and Usher (2018); Lorenz-Spreen et al. (2019). Barbera et al. (2019) and Gilardi et al. (2022), for instance, looked at the growing influence of digital platforms and social media on the political agenda. Other scholars stress the role of non-governmental organisations and civil society movements: Lesage and Kacar (2013) and Seabrooke and Wigan (2016) looked at the role of NGOs in amplifying political attention over corporate tax policy.

⁶⁷ Cobb, R., and Elder, C. (1972), *Participation in American politics: the dynamics of agenda-building*, Baltimore: Johns Hopkins University Press.

⁶⁸ Downs, A. (1972), Up and down with ecology: the issue attention cycle. *Public Interest*, Vol.28, Issue 1, pp38–50.

⁶⁹ Jones, B. D. and Wolfe, M. Public policy and the mass media: an information processing approach, in Koch-Baumgarten, S. and Voltmer, K. (2010), *Public Policy and the Mass Media: An Information Processing Approach*, Routledge ECPR Studies in European Political Science Series.

⁷⁰ Boydston A. E. (2013), *Making the News: Politics, the Media, and Agenda Setting*, Chicago: University of Chicago Press.

pursue it, and the more politicians are compelled to respond – both to retain credibility and to be seen as addressing issues that matter to voters.

Furthermore, as Sevenans (2018)⁷¹ and Van Aelst and Walgrave (2016)⁷² highlight, policy actors – including NGOs, politicians and interest groups – strategically use the media to elevate their issues and influence public debate. Soroka (2012)⁷³ describes the media’s unique position at the centre of the ‘distribution of information cycle’, enabling it to hold politicians accountable and frame the terms of public discourse. Russell et al. (2016)⁷⁴, too, underscore the media’s essential role in allocating attention and structuring the flow of policy-relevant information.

Grossman and Guinaudeau (2021)⁷⁵ deepen this analysis with their concept of the ‘tunnel of attention’, arguing that governing parties are constrained in their policy choices because they will be held accountable by the public, and in particular through media coverage, for delivering on their campaign priorities.

Langer and Gruber (2021)’s case study of the Windrush scandal exemplifies this mechanism, demonstrating how the eruption of the scandal hinged on the involvement of a legacy outlet, *The Guardian*, which acted as a catalyst for saliency. The newspaper’s well-recognised profile meant that it received key leaked information, and its ‘symbolic capital, user reach and loyalty, and the necessary resources (financial, expertise and access) to produce quality content’ allowed the newspaper to ‘command a central place in the media system’. They concluded that legacy media remained the central actor for raising the saliency of an issue, in initiating, amplifying and sustaining public attention.

Thus, far from being neutral conduits, media outlets play a central role in the emergence and amplification of political saliency. They actively shape the policy agenda by strategically framing issues, sustaining public attention, and mobilising political pressure. The papers listed above exemplify the ability of media outlets to use discursive power: they are able to amplify, sustain and move a story ‘into a higher gear’⁷⁶. They are able to create a ‘media storm’⁷⁷. The media is not merely a neutral intermediary, but an active agent in shaping the policy agenda.

⁷¹ Sevenans, J. (2018), One Concept, Many Interpretations: The Media’s Causal Roles in Political Agenda-Setting Processes, *European Political Science Review*, Vol.10, Issue 2, pp245-265.

⁷² Van Aelst, P., and Walgrave, S. (2016), Information and Arena: The Dual Function of the News Media for Political Elites. *Journal of Communication*, Vol.66, Issue 3, pp496–518.

⁷³ Soroka S. N. (2012), The gatekeeping function: distributions of information in media and the real world, *The Journal of Politics*, Vol.74, Issue 2, pp11-31.

⁷⁴ Russell A, Dwidar M, Jones B.D. (2016), The Mass Media and the Policy Process, in *Oxford Research Encyclopedia of Politics*.

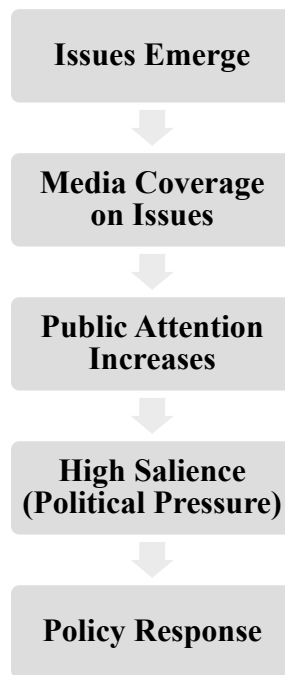
⁷⁵ Grossman E. and Guinaudeau I. (2021), Do Elections Still Matter? Mandates, Institutions and Policymaking in Western Europe. *Oxford, UK: Oxford University Press*.

⁷⁶ Jungherr et al. (2019) ; Walgrave et al. (2017).

⁷⁷ Boydston et al. (2014) defined a ‘media storm’ based on three criteria: there needs to be an explosive increase in attention from one week to the next (distinctiveness), with front-page stories (prominence) sustained over at least a week (frequency).

Visual 3. illustrates a key claim from the issue attention literature: that increased media focus on an issue can prompt a response from policy officials. Alternative outcomes are possible – media attention may not result in a policy response. This research will examine how governments respond to media coverage and sustained political saliency, specifically in the context of multinational taxation.

Visual 3: A Media Saliency Infographic



Media's Framing, Priming, and Constraints

The framing power of legacy media – their ability to choose the selection and emphasis of particular aspects of an issue – is central to media influence. Framing power relates to the capacity to determine the space in which a policy problem is fought. It refers to the ‘selection of particular attributes for the news media agenda when talking about an object’⁷⁸.

This framing determines the political space within which reform battles unfold. Entman (1993)⁷⁹ defines framing as the process of selecting certain aspects of perceived reality and making them more salience in a communicating text, thereby promoting particular interpretations.

Media framing – is especially influential in shaping how tax policy debates are conducted, often casting them in terms of fairness and legitimacy rather than mere technicality. Graham and O’Rourke (2023)⁸⁰ analysed media narratives around corporate tax avoidance in the UK and Ireland, finding that the media helped construct the issue as a political problem. In other words, how tax is talked about affects whether and how it is reformed.

The extensive literature on media framing power supports this⁸¹. For instance, Jones and Wolfe (2010) reviewed Bennett’s ‘indexing hypothesis’, finding no clear causal mechanism on ‘who is leading whom’ between government elites and the media. The way a particular issue or person is being relayed and presented in the media affects voters’ positions on this issue or person⁸².

Beyond framing, the media also engages in priming. It goes a step further from both framing or providing new information to people in implying that the media can push an issue further up voters’ policy priorities: it can make particular issues more salient in people’s minds.

⁷⁸ McCombs M. E. (2004), *Setting the Agenda: The Mass Media and Public Opinion*, Malden, MA: Blackwell Publishing Inc, p87.

⁷⁹ Entman, R. M. (1993), Framing: Toward clarification of a fractured paradigm. *Journal of Communication*, Vol.43, Issue 4, pp51–58.

⁸⁰ Graham, C. and O’Rourke, B. (2023), Ideological Presuppositions in Media Coverage of Corporation Tax Policy in the UK and Ireland: A Critical Discourse Analysis, *SAGE Journals*, Vol. 68, Issue 14.

⁸¹ D’Angelo (2018), for instance, published a book gathering several framing authors identifying various ways in which framing can influence a specific outcome. Nelson et al. (1997) looked at support for a Ku Klux Klan rally, finding more support for the rally when it was framed as a free speech/civil rights issue. Chong and Druckman (2007) showed how individuals aim to reorient public opinion around a policy issue through the strength and repetition of a similar frame. Baumgartner and de Boef (2008) and Boydston (2013) demonstrated that media framing of the death penalty had a substantial impact on changes in capital punishment policy over time. They showed links between support for an abolition of the death penalty when the ‘innocence frame’ was used, with a media emphasis on the number of innocent people that were executed. Rose and Baumgartner (2013) found that the US government policies towards the poor were more generous when media coverage of the poor was positive. Kneafsey and Regan (2020) looked at media framing in Ireland and France to explain variation in public attitudes towards corporate taxation, for instance. Framing can go beyond the written reporting of a specific event: McCombs et al. (2000) found a positive correlation between media coverage of candidates’ images in the 1996 Spanish elections and voters’ perceptions of these candidates, whereas Coleman and Banning (2006) showed a strong link between the media’s visual portrayals of candidates during the US presidential campaign and people’s perceptions of them.

⁸² see Russell et al. 2016; Lecheler and de Vreese 2018; Langer and Gruber 2021; and Grossman 2022 for further reviews of the framing literature.

McCombs and Shaw (1972)⁸³ pioneered this field with a comparative study of news coverage and public opinion in North Carolina, demonstrating that what people perceive as the ‘most important problem’ strongly correlates the media focus⁸⁴.

Birkland (1997)⁸⁵ built on their work in introducing the concept of ‘potential focusing event’, which can drive policy reforms only if the media gives them sufficient attention to generate political heat. Media coverage is determinant for generating the necessary heat leading to policy reform⁸⁶.

Media influence extends to agenda-setting⁸⁷. Wolfsfeld (2022), for instance, concluded that ‘when the powerful lose control over the political environment, they also lose control over all forms of media’.

Nonetheless, media power is subject to constraints. Bennett (1991)⁸⁸ showed that journalists ‘index the range of voices and viewpoints to those expressed in mainstream government debate’, thereby limiting dissenting or alternative views. His findings were significant in highlighting the media’s constraints in relaying information.

Bennett, Lawrence and Livingston (2008)⁸⁹ looked at the Abu Ghraib torture scandal and argued that legacy media did not use alternative sources, although available, to report on events in a way that strongly challenged the official framing from the Bush administration.

⁸³ McCombs, M. E., Shaw, D. L. and Weaver, D. H. (1972), New Directions in Agenda-Setting Theory and Research, *Mass Communication and Society*, Vol.17, Issue 6, pp781-802.

⁸⁴ eg through television broadcasts (Weaver et al. 1981; Iyengar and Kinder 1987; McCombs 2004), front-page stories (Winter and Eyal 1981; Entman 1989), or both (Druckman, 2004; Wu and Coleman 2009).

⁸⁵ Birkland, T. (1997), *After Disaster: Agenda-Setting, Public Policy and Focusing Events*, Washington: Georgetown University Press.

⁸⁶ see also: Bishop (2014) found a clear shift in voters’ support for offshore drilling following significant coverage of the Deepwater Horizon oil spill. Culpepper et al. 2023 found media coverage of bank scandals particularly effective in moving voters’ preferences regarding financial regulations.

⁸⁷ for example, Shaw and McCombs (1977) determined that the media preceded the public agenda during the US 1972 presidential campaign. Van Aelst and Walgrave (2011) surveyed members of parliament in four European parliamentary democracies, and found that most MPs considered the media’s agenda-setting role as important as the prime minister’s and largest political parties’. Van Aelst and Walgrave (2016) stressed how elected officials are dependent on the media for both relaying information and promoting their positions. Walgrave et al. (2017) concluded that the media effects over politicians were slightly stronger than the other way around. See also: Barnes and Hicks (2018), for instance, showed a link between news coverage and people’s attitudes towards fiscal policy. Media attention can influence civil society protests (Vliegthart et al. 2016b), political parties (Green-Pedersen and Stubager 2010), the parliamentary agenda (Vliegthart et al. 2016) and even government priorities (Walgrave et al. 2008). Guo and Vargo (2015) developed a ‘network agenda setting’ model arguing that traditional media influences the way voters think of not only individual issues but also the way a candidate relates to an entire network of issues. Heightened media attention favours short-term over long-term solutions, as was the case for the drunk-driving policy reforms analysed by Yanovitzky (2002). Wolfe (2012) defined the media as a ‘gatekeeper to arguments and interests’, capable of conditioning the speed of policymaking. Perhaps surprisingly, her findings indicated that increased media coverage slowed down the pace of policymaking – that is, the speed it takes for a bill, once introduced, to become law. Wolfe explained this by the entry of new participants and policy ideas with increased media attention. Not all policy actors are influenced by the media to the same extent: Vliegthart and Walgrave (2011) found that opposition MPs in Belgium and Denmark, two parliamentary democracies, were more influenced by media coverage than MPs from the government majority. Media influence also varies from one stage of the policy-making process to the next: Tresch et al. (2013) found media attention in Swiss politics to be concentrated on the preparatory and referendum phases, rather than the less decisive initiation and parliamentary phases.

⁸⁸ Bennett, W. L. (1991), Toward a theory of press-state relations. *Journal of Communication*, Vol.40, Issue 2, pp103–125.

⁸⁹ Bennett W. L. Lawrence R. G. and Livingston S. (2008), *When the Press Fails: Political Power and the News Media from Iraq to Katrina*, Chicago: University Chicago Press.

Grossman (2022)⁹⁰ similarly noted that governments can still control media narratives, particularly when elites remain united and proactive in managing information flows. He argued that ‘the media usually turn to governments first for information on policymaking, (hence) governments have the opportunity to control the media flow to their own advantage’. He concluded that the role of the media will be greatest only when decisionmakers are taken by surprise, unprepared to respond to events, or fail to send a consensual signal.

Conclusion: Political Saliency as a Catalyst for Reform

In summary, the literature on political saliency suggests that heightened political saliency functions as both a catalyst and a constraint in policymaking. Political saliency opens windows for reform, alters the composition of coalitions, and forces governments to deviate from business-as-usual approaches. Specifically, saliency emerges and is sustained with the actions of public figures and legacy media, which act as critical intermediaries in its influence over public policy. In the context of this research, the literature on political saliency suggests that governments moved beyond the status quo after the taxation of multinationals, in particular Big Tech, became a politically salient one. The move of the issue to the political arena brought a sense of urgency which led governments to look for quick avenues for resolution.

3.1.b. National Economic Interests

This research complements the saliency-based hypothesis by foregrounding national economic interests as the second explanatory variable. It examines how economic considerations influence governments’ decisions to pursue or delay tax reform. These considerations are analysed across three dimensions: international competitiveness, jurisdictional protection, and the strategic importance of critical national sectors.

Critical National Sectors Play the Leading Role

The most consequential dimension of national economic interest lies in the influence of critical national sectors on government policy. In democracies like France and the UK, Lindblom (1977)⁹¹ argues that business occupies a ‘privileged position in polyarchy’, not because it controls government, but because democratic governments depend on business cooperation for investment, growth and employment.

⁹⁰ Grossman, E. (2022), *Media and Policy-Making in the Digital Age*, *Annual Review of Political Science*, Vol.25, pp443-461.

⁹¹ Lindblom, C. (1977), *Governing Ourselves: From Direct to Indirect Self-Government*, *Open Journal of Political Science*, Vol.7, Issue 4.

Indeed, interest-based scholars suggest that governments must align reform proposals with the preferences of powerful domestic industries to form winning coalitions. This is because in interest-based accounts, a country's growth model is often sustained by a core set of firms or sectors, whose preferences carry structural weight (Baccaro and Pontusson, 2016)⁹². Accordingly, they aim to identify which firms dominate the domestic economy. These firms can be concentrated in various sectors: finance, export manufacturing, infrastructure, consumer consumption, technology companies and more.

Firms that lie outside the dominant growth coalitions are expected to have less structural influence, and thus be more exposed to unfavourable regulation. Conversely, when dominant sectors opposed reform, governments are expected to hold back.

Furthermore, interest-based scholars such as Amable (2003)⁹³, Palier and Thelen (2010)⁹⁴ and Thelen (2014)⁹⁵ argue that institutional change tends to reflect adjustments within a prevailing model, rather than radical departures. While they acknowledge the possibility of reform, they frame it as bounded by the need to preserve coalitions with critical national sectors. As a result, interest-based accounts see policy change as gradual rather than radical.

Overall, in the case of tax reform, the research identifies three levels of business preference.

- No reform is the preferred option. It suggests maintaining the status quo in domestic and international tax rules, despite existing tax loopholes revealed in the press.
- If reform is inevitable, industry actors are expected to prefer international harmonisation. It means more gradual change and a coordinated policy framework.
- Unilateral tax reforms are the least desirable option. They increase compliance costs and risks of double taxation, with several jurisdictions potentially taxing the same income.

The Mechanics of Corporate Lobbying

Business influence operates through two primary mechanisms. First, structural power refers to the weight of an industry in the economy. It refers to the embedded economic significance of an industry within a national economy. This form of power derives from the extent to which a sector contributes to employment, investment, tax revenue, and overall economic performance.

⁹² Baccaro, L. and Pontusson, J. (2016), Rethinking Comparative Political Economy: The Growth Model Perspective, *SAGE Journals*, Vol. 44, Issue 2.

⁹³ Amable, B. (2003), *The Diversity of Modern Capitalism*, Oxford University Press.

⁹⁴ Palier, B. and Thelen, K. (2010), Institutionalising Dualism: Complementarities and Change in France and Germany, *SAGE Journals*, Vol.38, Issue 1.

⁹⁵ Thelen, K. (2014), *Varieties of Liberalization and the New Politics of Social Solidarity*, Cambridge University Press.

When governments are highly dependent on a particular industry for these economic fundamentals, they are more likely to exhibit deference to its interests – especially under electoral pressure to preserve economic stability. As a result, firms situated in strategically vital sectors can exert considerable influence by invoking a ‘rhetoric of fear’ (Mach et al. 2013)⁹⁶, warning of disinvestment, capital flights, or job losses if unfavourable policies are pursued. This potential to destabilise macroeconomic indicators makes structural power a potent – if often implicit – form of business leverage.

Instrumental power, by contrast, concerns the degree of direct access and influence that business actors have within policy-making arenas. Corporations and industry groups frequently offer technical knowledge and expertise that policymakers rely on to craft and implement complex regulation.

However, this asymmetry of information between industry leaders and policymakers can obscure the boundary between neutral expert commentaries and interest-driven lobbying, sometimes to the detriment of wider public interests. Seabrooke and Wigan (2016)⁹⁷ describe how public-private networks between policy officials and practitioners form epistemic communities that blur the line between neutral expertise and lobbying. Within these communities, revolving door dynamics and entrenched relationships can amplify the influence of business interests at the expense of broader democratic accountability and public interest goals.

Additionally, business influence is often amplified by ideological alignment with centre-right parties and media narratives that favour economic competitiveness over redistribution. In Gramscian terms, scholars have argued that the dominance of business-friendly narratives reinforces policy orientation that privileges competitiveness over redistribution.

Nonetheless, business lobbying literature faces important caveats. A growing body of literature questions the extent to which business can consistently translate its preferences into policy.

For example, Hennessy (2013)⁹⁸ argues that governments often legislate with uncertainty in mind, preferring permissive and open-ended rules over hard commitments – suggesting that business power may be constrained by policy ambiguity and unpredictability.

⁹⁶ Mach, A., Bühlmann, F. and Thomas, D. (2013), *Cosmopolitan Capital and the Internationalization of the Field of Business Elites: Evidence from the Swiss Case*, *Cultural Sociology*, Vol.7, Issue 2, pp211-229.

⁹⁷ Seabrooke, L. and Wigan, D. (2016), *Powering ideas through expertise: professionals in global tax battles*, *Journal of European Public Policy*, Vol.23, Issue 3, pp357-374.

⁹⁸ Hennessy, A. (2014), *‘Redesigning financial supervision in the European Union (2009-2013)’*, *JEPP*, pp151-168.

Other studies have found that politically salient moments, such as financial crises, can disrupt business lobbying. Young (2012)⁹⁹ shows that banks failed to translate many of their preferences into Basel financial regulations following the 2008 subprime crisis, and Bell and Hindmoor (2014)¹⁰⁰ find that the influence of private interests diminished with the increasing politicisation of banking regulations.

Ziegler and Wooley (2016)¹⁰¹ also identify successful challenges to industry preferences in the banking industry by small advocacy groups. Before them, Trumbull (2012)¹⁰² showed that lobbying success for narrow interests groups is conditional upon a certain amount of support from groups with more diffuse priorities.

Another strand of the literature focuses on the role of intra-business schisms over the overall influence of private interests. Business unity, or disunity, has an effect on the influence of business interests in policymaking. Moravcsik (1998) suggests that lobbying success is positively correlated with how ‘intense, certain and institutionally organised’ industry leaders are¹⁰³. Chalmers (2018)¹⁰⁴ supports Moravcsik’s framework in publishing strong findings on the effect of industry-unity, defined as shared preferences and joint actions, on lobbying success. Young and Chalmers (2019)¹⁰⁵ go further and departs from Moravcsik’s nation-based framework, in suggesting that unity within transnational networks prevail over industry actors’ nationality to explain lobbying strategies and coalition formation.

It is true, however, that business unity is not always a required factor for industry leaders to exercise influence. Many nuances exist which means that sometimes, if not often, there are clear divergences within industry representatives¹⁰⁶. Yet, Woll (2014)¹⁰⁷ shows that in a context of serious economic uncertainty, such as at the height of the 2008 crisis, fragmented lobbying from the financial sector increased government attention to the preferences of financial actors, because in acting individually rather than collectively banks appeared too weak for ‘standing alone’. Helleiner and Pagliari (2011), as well as Hennessy (2014)¹⁰⁸, have also stressed that in the case of the post-2008 banking regulations, two financial sector poles were pulling in entirely different directions.

⁹⁹ Young, K. (2012), ‘Transnational Regulatory Capture? An Empirical Examination of the Transnational Lobbying of the Basel Committee on Banking Supervision’, *Review of International Political Economy*.

¹⁰⁰ S. Bell and A. Hindmoor, ‘Taming the City? Ideas, Structural Power and the Evolution of British Banking Policy Amidst the Great Financial Meltdown’, in J. Green and C. Hay, ‘Towards a New Political Economy of the Crisis: Getting What Went Wrong Right’, *New Political Economy*, 2015, p338.

¹⁰¹ Ziegler N. and Wooley, J. ‘After Dodd-Frank: Ideas and the Post-Enactment Politics of Financial Reform in the United States’, *Politics & Society*, 2016.

¹⁰² Trunbull, G. (2012), *Strength in numbers: the political power of weak interests*, Harvard University Press, p154.

¹⁰³ Moravcsik, A. (1998) *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*, Routledge, p36.

¹⁰⁴ Chalmers, A. (2018) ‘Unity and conflict: explaining financial industry lobbying success in European Union public consultations’, *Regulation & Governance*.

¹⁰⁵ Chalmers, A. and Young, K. (2019), ‘Network effects in the formation of the financial industry’s regulatory preferences in the European Union’, *Business and Politics*.

¹⁰⁶ Moravcsik (1998:36).

¹⁰⁷ Woll, C. (2014), *The Power of Inaction: Bank Bailouts in Comparison*, Cornell University Press.

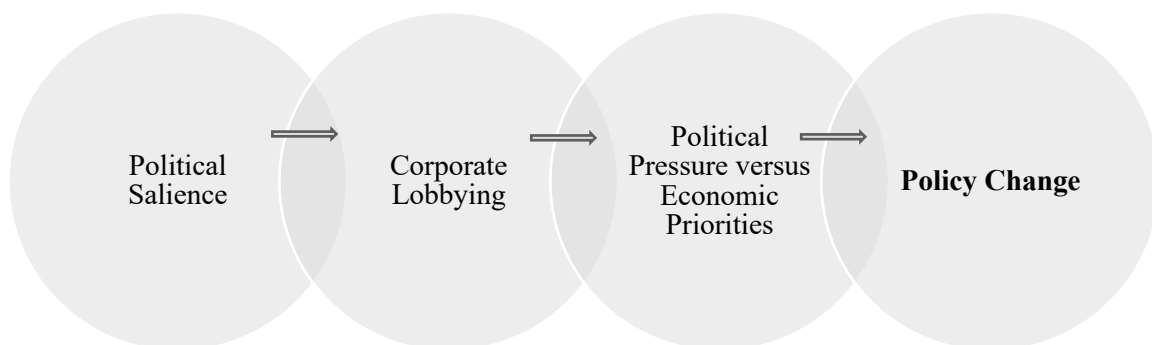
¹⁰⁸ Helleiner, E. and Pagliari, S. (2011), ‘The End of an Era in International Financial Regulation? A Postcrisis Research Agenda’, *International Organization*, 2011; Hennessy (2014).

This research draws from these insights to argue that business influence depends on both instrumental strengths and sectoral alignment. In the specific case of tech taxation in France and the UK, the digital sector did not hold the same embedded economic role as other strategic sectors such as export-based manufacturing, finance, or other key industries.

As such, governments were more willing to impose unilateral taxes on tech multinationals – particularly when public attention surged – because these firms fell outside the critical national sectors. In countries where digital multinationals exert limited structural and instrumental power, such as in France and the UK. Conversely, if core industries resist reform, policymakers are expected to be more deferential, delaying or diluting proposals to avoid economic backlash.

Visual 4. illustrates the theoretical claim that policy officials respond to public demands in ways that remain acceptable to business interests. In shaping new policy options, officials balance national economic priorities – often influenced by corporate lobbying – against public demands that are sustained through political saliency.

Visual 4: Interactive Dynamics of Business Lobbying and Political Saliency.



International Competitiveness

Another economic consideration to take into account is the government's goal of maintaining national competitiveness in the global economy, particularly in attracting and retaining foreign investment. Unilateral tax reforms that increase effective tax rates can deter investment, prompting governments to prefer multilateral coordination. As such, governments are expected to adopt unilateral measure only when multilateral progress is too slow to meet domestic political demands. This logic frames the policy dilemma: balancing competitive advantage with responsiveness to political salience. unless other countries act similarly.

Jurisdictional Protection

Interest-based accounts also look at governments' motivations to safeguard their fiscal sovereignty in international tax negotiations. This involves resisting any reallocation of taxing rights that might reduce revenues from economically or politically significant sectors. In both France and the UK, public concern about the under-taxation of tech giants was domestically framed through the lens of fairness and national jurisdiction. Consequently, the research expects that both governments supported reforms that targeted the taxation of tech multinationals in ways that reinforced their rights to tax companies operating within their borders, but without giving away taxing rights over domestic companies to other countries.

3.1.c. Liberal Intergovernmentalism

Finally, this research also draws on a set of theories from the Liberal Intergovernmental (LI) literature. LI offers valuable insights into how governments behave in international policy negotiations by providing a theoretical model of decision-making – it is a useful foundation for understanding how states navigate and negotiate within multilateral settings since tax policy is shaped at both national and international levels.

Developed most prominently by Andrew Moravcsik¹⁰⁹, this realist theory offers a two-level explanatory framework that presents national interest formation and interstate bargaining as the drivers of international policy outcomes. It complements earlier sections of this chapter – focused on salience and

¹⁰⁹ Moravcsik, A. (1993), 'Preferences and power in the European Community: a liberal intergovernmentalist approach', *JCMS*; Moravcsik (1998).

interest-based theories – by adding a further dimension to understanding how governments form policy preferences.

While salience and interest-based theories are particularly useful for examining government behaviour at the domestic level, LI theory extends this analysis to multilevel policy setting. It posits that state behaviour in international negotiations is rooted in domestic political and economic forces. In this sense, LI theory builds on the interest-based tradition, emphasising that national economic interests shape governmental preferences in international policy arenas.

At the domestic level, LI argues that governments derive their preferences from the interests of dominant national industries – typically those with the greatest economic leverage. In this realist view of policy-making, states are not monolithic actors; they reflect the demands of influential business coalitions within society, particularly in areas with high distributive stakes such as taxation or trade. As Moravcsik puts it, the state is ‘a transmission belt’¹¹⁰ for translating domestic pressures into international positions.

Several scholars build on Moravcsik’s focus on domestic constraints for understanding government preferences. Prior to the LI theory framing, Putnam (1988)¹¹¹ famously framed international negotiations as a two-level game, in which a government’s credibility in bargaining depends in part on its domestic inflexibility: the less able it is to concede, the stronger its negotiating position may appear.

This view matches Schelling’s (1970)¹¹² insight that the power to constrain oneself is a source of bargaining power: ‘the power of a negotiator often rests on a manifest inability to make concessions’. Governments may deliberately invoke domestic resistance – whether from voters or business – to reinforce their position internationally. It aligns with Katzenstein (1976; 1978)¹¹³ and Krasner (1978)¹¹⁴, who emphasise the domestic roots of foreign economic policy.

At the international level, states are assumed to be rational negotiators, seeking to maximise national gains while limiting domestic costs. Realist scholars expect the outcomes of international negotiations to be set at the lowest common denominator necessary for outweighing the costs of collective action¹¹⁵.

¹¹⁰ Moravcsik, A. (1997), ‘Taking Preferences Seriously : A Liberal Theory of International Politics’, *International Organization*, Vol.51, Issue 4, p518.

¹¹¹ Putnam, R. D. (1988), *Diplomacy and Domestic Politics: The Logic of Two-Level Games*, *International Organization*, Vol.42, Issue 3, pp427-460.

¹¹² Schelling (1970) in Putnam (1988 :440).

¹¹³ Katzenstein, P. (1976), *International Relations and Domestic Structures: Foreign Economic Policies of <advanced Industrial States*, *International Organization*, Vol.30, Issue 1, pp1-45; Katzenstein, P. (1978), *Between power and plenty: foreign economic policies of advanced industrial states*, London: *University of Wisconsin Press*.

¹¹⁴ Krasner, S. (1978), *Defending the National Interest : Raw Materials Investments and U.S. Foreign Policy*, *Princeton University Press*.

¹¹⁵ Moravcsik (1993); Story, J. and Walter, I. (1997), *Political Economy of Financial Integration in Europe: The Battle of the Systems*, *Financial History Review*.

It results from a pragmatic compromise among powerful states, where the latter defend national champions and avoid politically costly concessions, rather than secure a collective ideal. In multilateral forums such as the OECD's Base Erosion and Profit Shifting (BEPS) negotiations, states are expected to bargain for outcomes that protect key sectors and avoid politically costly concessions.

Indeed, the LI model of international bargaining has been applied to a wide range of economic negotiations. For instance, LI explains the making of a European securities market with a distributional logic: policy-making was driven by a bargaining process between the most influential countries with each side wanting to secure specific benefits, rather than by a Pareto-efficient collection action with clear losers and winners¹¹⁶.

In the case of financial regulations, Singer (2007)¹¹⁷ argues that financial regulatory preferences can be placed on a continuum from permissiveness to stringency, shaped by how closely governments align with domestic financial firms. In turn, those preferences are projected into international negotiations. Similarly, in the case of banking, other realist scholars have argued that permissive regulations result from financial lobbying, and an accommodation of banks' interests¹¹⁸.

Hix and Hoyland's (2011)¹¹⁹ findings are also very useful to provide clarity over the complexities of multilevel lobbying and interest representation in the EU's legislative system, highlighting the strategic role of coalition-building amongst economic actors for optimum influence.

Power in this view often takes the form of economic leverage. Joseph Nye (1990) defines power as 'the ability to affect others to get the outcome one wants'¹²⁰. In his later work, he compares international negotiations to poker: 'if you show high cards, others are likely to fold their hands'¹²¹.

Morgenthau (1948) argued that as the international system is anarchic, lacking a higher authority, states act in terms of power and national interest: 'International politics, like all politics, is a struggle for power'¹²².

¹¹⁶ Mücke, D. (2006), 'Reordering the Marketplace: Competition Politics in European Finance', *JCMS*, Vol.44, Issue 5, p1007.

¹¹⁷ Singer, D. (2007), *Regulating Capital. Setting Standards for the International Financial System*, Cornell University Press.

¹¹⁸ Baker, A. (2010), 'Restraining Regulatory Capture? Anglo-America, Crisis Politics and Trajectories of Change in Global Financial Governance', *International Affairs*; Buckley, J. and Howarth, D. (2010-09), 'Internal Market: Gesture Politics ? Explaining the EU's Response to the Financial Crisis', *JCMS*, Vol.48, Issue 1, pp119-141; Underhill, G. and Zhang, X. (2008), 'Setting the Rules: Private Power, Political Underpinnings, and Legitimacy in Global Monetary and Financial Governance', *International Affairs*.

¹¹⁹ Hix, S. and Hoyland, B. (2011), *The Political System of the European Union*, Basingstoke: Palgrave Macmillan, pp159-188.

¹²⁰ Nye, J. (1990), *Bound to lead: the changing nature of American power*, New York: Basic Books.

¹²¹ Nye, J. (2003), 'The Power of Persuasion: Dual Components of US leadership: A Conversation', *Harvard international review*, Vol.24, Issue 4, pp46-48.

¹²² Morgenthau, H. (1948), *Politics Among Nation*, New York: Alfred Knopf.

The same logic was expressed in antiquity by Thucydides, who, in the Melian Dialogue on the negotiations between Athenians and Melians during the Peloponnesian War, wrote: ‘The strong do what they can and the weak suffer what they must’¹²³.

In this research, economic leverage constituted a key source of negotiating power. While military force is not relevant in the context of this research, - no US troops were sent to pressure European tax negotiators – economic power, including the ability to impose trade sanctions, remains a credible form of coercion. As Nye adds, ‘Economic objectives loom large in the values of post-industrial societies’¹²⁴.

In other words, the research theory builds upon LI realist claims to form the following hypothesis: international tax reform is expected to be shaped by the preferences of powerful domestic sectors and strategically advantaged states.

LI is not without weaknesses. Jabko and Massoc (2012)¹²⁵ add a nuance to Moravcsik’s rational choice theory by pointing to elite socialisation and informal ties between public officials and bankers. They argue that interpersonal networks, not just structural economic interests, helped align regulatory outcomes with industry preferences during post-crisis reforms. This builds on Dunleavy and Kirchgässner’s (2000)¹²⁶ claim that policy influence is concentrated among elite actors, as diffuse public interests are less easy to mobilise at the highest levels of decision-making.

Overall, LI is consistent with the broader insight from realist international relations scholarship that economic interests, not symbolic or normative pressures, drive interstate negotiations. Even in times of heightened political saliency, realist theorists argue that saliency is insufficient to explain international outcomes unless mediated through national economic preferences.

The research used the LI framework to test the relative weight of political saliency versus economic interests. In applying the LI framework to the politics of tech taxation, the research asks whether the international positions of France and the UK in BEPS negotiations reflected the preferences of domestic economic elites, and whether political saliency faded in significance once the debate shifted to international diplomacy.

¹²³ Thucydides, *The History of the Peloponnesian War*, chapter 89.

¹²⁴ Nye, J. (2003).

¹²⁵ Jabko, N. and Massoc, E. (2012), ‘French capitalism under stress: How Nicolas Sarkozy rescued the banks’, *Review of International Political Economy*, Vol.19, Issue 4.

¹²⁶ Dunleavy, P. and Kirchgässner, G. (2000), ‘Explaining the Centralization of the European Union: A Public Choice Analysis’, in Moser, P. et al., *Decision Rules in The European Union*, Palgrave Macmillan, London.

Drawing on the literature insights, it is argued that policymakers will face more pressure at the national level than at the international level to respond to public pressure – making policymakers more responsive to salient issues at the national level than at the international level.

If LI holds, the research expects to see international outcomes that protect each country's national industries, and avoid reforms that would place national champions at a disadvantage. Conversely, if policy change occurred despite opposition from business elites, and if salience shaped international demands more so than business elites, then LI is insufficient to explain why domestic and international tax reforms were passed simultaneously in France and the United Kingdom.

3.2. The Research Theory

The theory posits that political salience can override business resistance, especially in high-attention environments. It presents a story in which political imperatives triumphed over business preferences with the passing of unilateral taxes. However, national economic interests remained a constraint, particularly at the international level.

The salience hypothesis argues that an eruption of salience was a critical factor for the advancement of unilateral and international tax reforms affecting tech multinationals. This is because in moments of high salience, governments are more likely to change strategies and act quickly to meet voter demands, even at the expense of their critical industries. Furthermore, the salience hypothesis posits that intermediaries such as public figures and legacy media were critical agents for sustaining saliency over the issue of multinationals' taxation.

The interest hypothesis expects that governments sought to minimise risks for their critical industries. While public attention shaped the agenda, final decisions were filtered through economic calculations and the latter prevailed over public demands, especially at the international level.

Building on Grossman (2022)¹²⁷'s attention theory, according to which the media are instrumental in determining the 'scope of the conflict', the research sees salience as the snake in the tunnel, setting the direction, whereas economic interests are the tunnel, defining the boundaries of the direction that salience can take.

¹²⁷ Grossman, E. (2022), Media and Policy-Making in the Digital Age, *Annual Review of Political Science*, Vol.25, pp443-461.

These two forces are not mutually exclusive. In some cases, they may align; but in others, they may collide. The theory expects that when reforms clearly shifted policy away from the status quo, in the direction demanded by political voices and despite opposition from dominant industries, then political salience was the driving factor behind governments' decision-making. Conversely, when reforms were diluted or delayed to accommodate business interests, to the point that there was not a net policy move away from the status quo, then national economic interests were the driving factor.

If the outcome falls between these two, the research will determine whether the policy change was significant enough, based on the magnitude and direction of policy change with respect to what we might reasonably expect, for assessing which force exerted greater influence. The central premise is that policy outcomes reflect a balance between political obligations and economic constraints – a dynamic best understood through the salience – interest equation.

3.3. Alternative explanations

While this research centres its theoretical framework on the interplay between political salience and national economic interests at multiple policy levels, it also tests two alternative explanations. The first one focuses on partisanship and the second one looks at the role of the epistemic community.

These perspectives offer contrasting accounts of how and why tax reforms were passed in France and the UK. It is worth investigating them because they offer plausible alternative accounts of the drivers of policy change.

3.3.a. Partisan-Based Theories

Rooted in the comparative public policy literature, the partisanship theory explains government behaviour through the lenses of which political and economic coalitions are in power. This perspective sees party politics as a key variable explaining variation in both agenda-setting and policy design.

The partisan hypothesis argues that the ideological orientation of the ruling government shapes policy outcomes, including in tax reform. If left-leaning and right-leaning governments systematically pursued different tax agendas towards tech multinationals, this would suggest that partisanship, rather than salience or economic interests, shaped reform outcomes.

For instance, Swank (1993)¹²⁸ argues that political parties act in line with the preferences of their electoral coalitions in order to retain an electorate base. Voters, faced with imperfect information, rely on a partisan view of the policy landscape: left-leaning parties are expected to favour more progressive taxation and economic redistribution, while right-wing parties tend to support business-friendly environments and lower tax burdens. Consequently, governments of different political colours are expected to pursue distinct tax strategies because they need to sell partisan policies to imperfectly informed voters.

Koedam (2022)¹²⁹ argues that partisanship holds because parties are incentivised to stick to a particular political stance. Policy shifts are rare because they can be politically costly. They can falter the party's credibility in the eyes of the electorate to pursue its ongoing commitments.

Indeed, Baumgartner and Jones (1993) argue that partisanship has become stronger in policy-making, particularly in the making of the US federal budget and public laws. They have stressed how increased partisan polarisation in the US Congress has resulted in longer periods of 'punctuated equilibrium', which are characterised by large periods of stasis followed by large periods of change. For example, Egan (2013)¹³⁰ has examined how political parties in the US prioritise certain issues to appeal to their electoral base, making their decisions on public policy dependent on their political colour as opposed to performance.

While this research applies to France and the UK, it is plausible that similar factors have shaped their respective political life – both countries are majoritarian systems rather than coalition governments, with at least two significant parties with differing ideological views in the context for political leadership.

A related strand of research explores how partisan incentives shape party attention to specific issues. For example, Budge and Hofferbert (1990, 1992)¹³¹ find a lasting effect of partisanship on policymaking as measured by spending priorities. They develop a model of 'mandate theory of party democracy', in which parties prioritise issues they 'own' ideologically – such as labour and education for left, or

¹²⁸ Swank, O. H. (1993), Popularity Functions Based on the Partisan Theory, *Leiden, Kluwer Academic Publishers*, Vol.75, Issue 4, pp339-356.

¹²⁹ Koedam, J. (2022), A Change of Heart? Analysing stability and change in European party positions, Routledge, *West European Politics*, Vol.45, Issue 4.

¹³⁰ Egan, P. (2013), *Partisan Priorities : How Issue Ownership Drives and Distorts American Politics*, Cambridge University Press.

¹³¹ Budge, I., and Hofferbert, R. I. (1990). Mandates and Policy Outputs: US Party Platforms and Federal Expenditures. *American Political Science Review*, Vol.84, Issue 1; Budge, I. and Hofferbert, R. I. (1992), The Party Mandate and The Westminster Model: Election Programmes and Government Spending in Britain, 1948-85. *British Journal of Political Science*, Vol.22, Issue 2. Also see Blais et al. (1993), Do parties make a difference ? : parties and the size of government in liberal democracies, *American Political Science Review*, Vol.37, Issue 1; Boix, C. (2000). Partisan governments, the international economy, and macroeconomic policies in advanced nations, 1960-93. *World Politics*, Vol.53, Issue 1.

defence and security for the right. Green-Pedersen (2019)¹³² develops this into an ‘issue incentive model’ of party system attention, where ruling parties focus on issues that yield the highest strategic gain within their electoral base.

These models are informative for this research. They bring plausible explanations as to why France and the UK engaged in tax reform discussions at the domestic and international levels. In fact, preliminary evidence from secondary sources suggests partisan effects on tax policy in these two countries, though with caveats.

For instance, Morrissey and Steinmo (1987)¹³³ show that post-war UK tax rates in income tax, corporation tax and consumption tax have followed partisan lines. In France, Knapp (2004)¹³⁴ maps enduring ideological divides within and across political coalitions. On each side of the political spectrum, he argues, coalitions have been formed to create a harmonised view regarding the values owned by the Left and those belonging to the Right.

However, other scholars have offered conflicting accounts regarding the strength of the partisanship literature in today’s world, in particular concerning tax policy. Osterloh and Debus (2009)¹³⁵ find that left-wing governments across Europe, including France and the UK, have been more likely to increase corporation tax rates over the past 30 years. Yet, they note that partisan effects have declined over time under pressure from international tax competition.

Similarly, Baumgartner et al. (2009)¹³⁶ find that party competition is increasingly driven by issue salience across three different policy agendas. The authors concluded that parties do not allow their opponents the monopoly of an issue anymore. In their view, when an issue becomes prominent, all political camps compete to claim credibility on the salient issue regardless of prior ideological associations.

Thus, partisanship theory is a significant school of thought in comparative public policy and serves as a valuable alternative explanation for the adoption of tax reforms in this research. The literature presents conflicting accounts regarding the influence of partisanship on policy-making, and testing its explanatory power can provide much-needed clarity on whether – and to what extent – the political orientation of governments continues to shape policy outcomes.

¹³² Green-Pedersen, C. (2019), *The Reshaping of West European Party Politics Agenda-Setting and Party Competition in Perspective*, Oxford, UK: Oxford University Press.

¹³³ Morrissey, O. and Steinmo, S. (1987), The influence of party competition on post-war UK tax rates, *The Policy Press*, Vol.15, Issue 4.

¹³⁴ Knapp, A. (2004), *Parties and the Party System in France: A Disconnected Democracy?*, London: Palgrave Macmillan UK.

¹³⁵ Osterloh, S. and Debus, M. (2009), Partisan politics in corporate tax competition, *Manheim*.

¹³⁶ Baumgartner, F., Brouard, S., Grossman, E. (2009), Agenda-setting dynamics in France: revisiting the ‘partisan hypothesis’, *French Politics*.

For this theory to hold, the findings must reveal clear differences in how left-leaning and right-leaning governments approached the taxation of technology multinationals. If tax reform outcomes aligned consistently with party ideology, despite economic constraints or political saliency, this would suggest that partisanship is the primary explanatory factor for the passing of tax reforms.

3.3.b. The Role of the Epistemic Community

The second alternative explanation centres on the role of the epistemic community. The latter refers to a network of tax experts, civil servants and technocrats who shape policy from within bureaucratic and intergovernmental institutions. These actors often operate across national boundaries and move fluidly between institutions, producing policy proposals, legal frameworks, and negotiation drafts that shape the menu of politically viable options.

The epistemic community hypothesis suggests that technocratic actors drove the reform process independently from political imperatives. Here, political saliency is largely incidental, and policy outcomes are attributed to the continuity and influence of expert communities operating within national administrations and international organisations.

It is a plausible explanation, particularly in the context of tax reform. Given the complexity and technical nature of tax policy, policymakers often depend on expert, technocratic advice to navigate uncertainty and formulate effective solutions. This reliance is even more pronounced at the level of international organisations and advisory bodies, where epistemic communities – such as those within the OECD – are most likely to play a central role in shaping policy proposals. These expert groups help reconcile divergent domestic preferences among negotiating states by drafting and suggesting technically sound and politically acceptable policy frameworks for all member states.

This expert-based explanation draws on Haas's (1990) seminal work, which defines an epistemic community as 'a network of professionals with recognised expertise and consensus'¹³⁷. It is a group of professionals with recognised expertise, shared beliefs, and common normative commitments. Their influence stems not from electoral legitimacy but from technical authority and access to policymaking processes. Belonging to the epistemic community, or 'elite-ness', is derived from professional authority and a high ranking position within the community of tax experts¹³⁸.

Sharpe (1999)¹³⁹ highlights the independence of policy experts from the political arena. Policymakers retain the agency to exploit a policy window in picking amongst the most salient issues the ones that they want to address. Even if an issue becomes salient, some issues lead to a policy outcome, whereas other issues remain in the policy agenda with no concrete policy changes¹⁴⁰. Elgie and Griggs (2000,

¹³⁷ Haas, P. (1992). Introduction: Epistemic Communities and International Policy Coordination. *International Organization*, Vol.46, Issue 1, p3.

¹³⁸ Christensen, Rasmus Colin (2020), *Politics and Professionals: Transnational Struggles to Change International Taxation*, Copenhagen Business School (PhD), PhD Series No. 05, p142.

¹³⁹ Sharpe, E. (1999), *The Sometime Connection: Public Opinion and Social Policy*, New York: SUNY Press.

¹⁴⁰ Sharpe (1999) looked at the 'sometime connection' between public opinion and policymaking, while Soroka and Wlezien (2010) worked on variations in policy responsiveness to public pressure.

2013)¹⁴¹ also emphasise the role of elite civil servants in France's policymaking process. In *Policy without politicians*, Page (2012)¹⁴² concludes that bureaucrats have a significant influence in the crafting of secondary legislation, particularly in technical policy areas.

In the case of this research, an expert-based explanation argues that the epistemic community played the decisive role for the passing of tax reforms at the national and international levels. Tax experts included OECD officials, finance ministry staff, private-sector consultants and tax practitioners. The expectation is that the outcome of the tax reform process was dependent on the ideas and proposals of the epistemic community involved in the decision-making process. In this alternative scenario, political saliency is secondary. It is a proactive 'top-down' approach rather than a reactive 'bottom-up' one.

Collier (2023)¹⁴³ has documented the long trajectory of OECD-led tax reform, noting that many of the ideas underpinning BEPS initiatives were developed well before political saliency erupted. In his view, the eruption of public interest may have accelerated action, but the intellectual groundwork was laid by technocratic actors years in advance. The reform process, Collier argues, finds its origins in a gradual change on the thinking of tax amongst the epistemic community.

This literature also draws on broader work on technocratic authority and the autonomy of international institutions. Barnett and Finnemore (1999, 2004)¹⁴⁴ argue that the professional staff in international organisations like the OECD, IMF and ECB are not merely passive agents of their member states; they exercise agency, shape policy preferences and embed norms. Several other scholars have focused on the role of supranational actors to understand policy outcomes¹⁴⁵.

For instance, Quaglia examines state preferences with an eye on supranational institutions¹⁴⁶. De Rynck (2016)¹⁴⁷ identifies the European Central Bank as a political entrepreneur, while Mügge (2010)¹⁴⁸ identifies the European Commission as a decisive actor for further integration: 'the Commission's penchant for further integration made it the natural ally of the pro-integration (transnational) lobby', he concluded.

¹⁴¹ Elgie, R. and Griggs, S. (2000, 2013), *French Politics, Debates and Controversies*, Routledge London.

¹⁴² Page, E. (2012), *Policy without politicians*, Oxford University Press.

¹⁴³ Collier, R. (2023), The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018, *World Tax Journal*, Vol.15, Issue 2.

¹⁴⁴ Barnett, M. and Finnemore, M. (1999), The Politics, Power, and Pathologies of International Organizations, *MIT Press*, Vol.53, Issue 4.

¹⁴⁵ De Rynck, S. (2016), 'Banking on a union: the politics of changing eurozone banking supervision', *JEPP*; Niemann, A. and Ioannou, D. (2015), 'European economic integration in times of crisis: a case of neofunctionalism?', *JEPP*; Nielson, B. and Smeets, S. (2018), 'The role of the EU institutions in establishing the banking union. Collaborative leadership in the EMU reform-process', *JEPP*.

¹⁴⁶ Quaglia, L. (2008), 'Explaining the reform of banking supervision in Europe: an integrative approach', *Governance*.

¹⁴⁷ De Rynck (2016).

¹⁴⁸ Mügge, D. (2006), 'Reordering the Marketplace: Competition Politics in European Finance', *JCMS*, pp1012-1013.

Epstein and Rhodes (2016)¹⁴⁹, too, show how the European Commission has often driven integration in financial markets, even in the face of national reluctance, as ‘the traditional Community Method of policy-making involving the Commission and ECB, (with) the usual intergovernmental wrangling, brinkmanship and compromise before decisions were made’.

It follows what Sweet and Sandholtz wrote in 1997¹⁵⁰: ‘(supranational actors) serve the interests of those individuals ... who transact across borders and ... are advantaged by European rules and disadvantaged by national rules’.

Thus, the expert-based explanation contends that tax reform is driven not by public pressure or electoral dynamics, but by technocratic processes shaped by epistemic authority and institutional continuity. This perspective is particularly compelling given the technical complexity and multilayered nature of international tax reform. Civil servants – especially those operating within multilateral organisations – serve as key agents of change, crafting technically robust solutions and shepherding these proposals through the slow churn of intergovernmental negotiation.

For the epistemic community theory to hold, the research needs to demonstrate that key reform decisions either preceded the eruption of political salience or that political imperatives and corporate lobbying had little measurable impact on the content or timing of reforms. In that case, the agency of the epistemic community – rather than voter mobilisation or business resistance – would emerge as the primary driver of policy change.

¹⁴⁹ Epstein, R. and Rhodes, M. (2018), ‘From governance to government: Banking union, capital markets union and the new EU’, *Competition & Change*, p206; Epstein, R. and Rhodes, M. (2016), ‘The political dynamics behind Europe’s banking union’, *West European Politics*.

¹⁵⁰ Sweet, S. and Sandholtz, W. (1997), ‘European Integration and Supranational Governance’, *JEPP*, p299.

3.4. Summary of Hypotheses

This research tests a theory of policy change that combines the effects of political saliency and national economic interests on government decisions to tax multinationals. It is evaluated against two alternative explanations. The tables below review the hypotheses tested in this research. Their presence, or absence, will boost confidence in the relevant theory and disqualify others.

Table 3.a.: Summary of Causal Chains (Research Theory)

Explanation	Hypothesis	Mechanism	Expected Evidence
Political Saliency	Governments are more likely to pursue unilateral tax reform if political saliency is high.	Salient issues generate political pressure and electoral incentives that compel governments to act despite institutional or diplomatic constraints.	Peaks in media coverage, NGO activity, parliamentary debates, and statements by officials correlating with policy shifts.
National Economic Interests	Governments' positions on tax reform are shaped by structural and instrumental power of key national sectors.	Governments defer to core domestic industries for economic stability, fearing job losses, capital flight, or reduced investment.	Alignment between reform positions and interests of embedded industries; reluctance to target sectors with structural clout.

Table 3.b.: Summary of Alternative Causal Chains

Explanation	Hypothesis	Mechanism	Expected Evidence
Partisanship <i>(Alternative)</i>	Left-leaning governments are more likely to support redistributive tax reforms, while right-leaning ones resist.	Ideological orientation influences the framing of policy goals (equity vs. competitiveness), shaping reform ambition and coalition support.	Correlation between government ideology and reform stance; partisan framing in debates and policy documents.
Epistemic Community <i>(Alternative)</i>	Policy outcomes reflect the preferences of expert networks that define norms of appropriate technical solutions.	Policymakers rely on technocratic advice due to complexity and uncertainty, especially through international organisations or advisory bodies.	Evidence of close ties between experts and policymakers; citations of expert reports; shared discourse and terminology.

4. Contribution to the Literature and Public Policy

By testing this framework in two advanced market-driven, liberal democracies – France and the United Kingdom – this research seeks to clarify the conditions under which reform is enabled or obstructed. It contributes to a broader understanding of how democratic governments manage the tension between electoral accountability and economic constraint, and under what circumstances political obligation is sufficient to overcome entrenched interests in shaping global economic policy. Ultimately, it offers finer understanding of how to pass a tax reform.

The findings are significant because the role of politics in policymaking – particularly in contrast to private interests – remains one of the most debated and controversial issues, both within academia and in public discourse. Do political actors – media, NGOs, politicians – matter or is decision-making hijacked by isolated technocrats serving entrenched corporate interests? As former Bank of England official Paul Tucker writes in Unelected Power, democracies such as the United Kingdom are ‘flirting with a peculiar cocktail of hyper-depoliticised technocracy and hyper-politicised populism’¹⁵¹.

Tucker’s observation arguably applies to most advanced liberal democracies today, including France. Importantly, responding to political salience is not equivalent to populism. The former entails governments developing policy solutions that reflect today’s political obligations; the latter, in contrast, often involves offering overly simplistic solutions to complex problems. Nonetheless, both phenomena share a common feature: they involve policy change that disrupts the status quo, frequently in ways that challenge business interests and are framed by a sense of political urgency.

When this pressure for immediate, visible action is present, it can compel technocrats and policy officials to adjust their strategies to deliver faster responses. This dynamic is particularly relevant in areas such as tax policy, and in particular international taxation, where technical expertise has traditionally dominated the policymaking process due to the subject’s complexity. If political salience is shown to be a significant driver of reform in such a technocratic domain, it challenges prevailing assumptions about how complex policies should be developed and enacted.

Furthermore, given the two-level policy space studied in this research, the findings also offer a better understanding of state dynamics at the international level. It sheds light on the role of states’ bargaining power and strategic advantages in high-salience international environments.

¹⁵¹ Tucker, P. (2023), Unelected Power, Princeton University Press, p2.

The research therefore offers new insights into the role of electoral politics in the functioning of advanced, market-oriented democracies. It also has implications for academic debates at the intersection of agenda-setting scholarship, which is concerned with the role of political actors in public policy, and comparative political economy, which foregrounds the influence of national economic interests and institutional constraints in public policy.

5. Conclusion of the Theory Chapter

This chapter has developed a theoretical framework to explain when and why governments passed tax reforms targeting tech multinationals, focusing on France and the United Kingdom. It is a comparative analysis of the policy itinerary that led to the passing of tax reforms in each country in the 2010s.

The research proposes a dual framework: Governments are responsive to political saliency, because the electorate is likely to reward politicians who appear responsive to their demands – channelled by media coverage and the voices of important public figures. However, governments temper their responses to protect critical industries and safeguard international competitiveness. Tax reform emerges from the interaction of those demand-side and supply-side pressures.

Critically, the research argues that political saliency was constructed through media exposure and the mobilisation of key political figures with public platforms, which created the political capital necessary for governments to act. This urgency increased pressure on governments to respond quickly, preferring the domestic level over a longer-term international policy process. In this way, political intermediaries can alter policy trajectories by reshaping priorities and broadening participation.

In contrast, the political economy literature reminds us that reform is rarely costless. Governments must manage the expectations of their electorate while maintaining favourable conditions for investment and economic growth. In this context, reforms are often designed to minimise harm to critical sectors, particularly when these sectors hold structural and instrumental power. National economic interests serve as a moderating force, shaping the content and viability of policy proposals in line with the preferences of dominant domestic sectors.

The saliency–interest equation developed in this research aims to reconcile these two theories. It offers an alternative to the liberal intergovernmental view that economic interests alone explain policy choices. Realist theories overlook the domestic urgency created by saliency, which can disrupt business-as-usual. They underestimate the disruptive potential of political saliency in policy-making.

CHAPTER 2: EMPIRICAL CHAPTER FRANCE

1. Introduction

The first empirical chapter analyses the drivers of tax reforms in France. It aims to explain the decision-making process that led the French government to pass new corporate tax measures targeting tech multinationals.

Between 2010 and 2016, several ‘Google Tax’ proposals for taxing tech multinationals were brought forward to target large technology multinationals. These culminated in France’s support for a digital services tax (DST) at the European level in 2017, and the adoption of a domestic DST in 2019. In parallel, France was a key participant in international tax negotiations, including the conclusion of the OECD’s BEPS 1.0 project in 2015 and the BEPS 2.0 agreement in 2021.

This chapter tests the core research theory that political salience was the significant driver for the initiation of tax reform targeting (tech) multinationals. Governments prioritise policy areas when voters care enough to demand action. Politicians, acting in pursuit of re-election and legitimacy, respond to these signals – especially when ignoring them becomes electorally costly. These signals are conveyed by public figures and legacy media who – not without their own agenda – can move an issue to the political arena. This aligns the salience hypothesis with the attention-based literature, which holds that the more public attention a topic receives, the more likely it is to prompt policy change. In short: no salience, no change. For the salience-based hypothesis to be valid, the evidence must indicate that the rise of the issue to the high-salience level preceded the passing of new tax reforms.

The second hypothesis of the research is based on national economic interests. It argues that state-business interactions shape the policy process. The interest-based hypothesis predicts that governments will attempt to shield critical sectors from new taxes. If taxation is unavoidable, they are expected to favour internationally harmonised agreements – which spread the burden and reduce the risk of losing competitiveness – over unilateral domestic taxes. For the interest-based hypothesis to be confirmed, the evidence must indicate that governments avoided reforms that would significantly harm critical national sectors. In this view, the greater the resistance from dominant industry groups, the less likely it is that tax reform will proceed.

The research ends with considering two alternative explanations – the influence of partisanship and the role of the epistemic community.

In short, this chapter expects that political saliency and economic interests mattered in the passing of tax reforms: France's response to political saliency was shaped by its desire to protect its core sectors of the economy. The chapter proceeds chronologically, tracing how policy evolved through periods of high saliency and varying levels of business resistance.

The chapter thereby contributes to our understanding of demand-side politics in post-industrial liberal democracies, challenging supply-side accounts that focus on pre-existing preferences of policymakers – whether rooted in business interests, partisan agendas or expert knowledge.

2. The Eruption of Political Saliency (2010-2019)

Media attention and political saliency surrounding tax reforms for tech multinationals have fluctuated significantly over the past decade. This section aims to evaluate the level of political saliency during successive attempts to pass tax reform targeting Big Tech. Using Lexis Nexis¹⁵², the world's largest database for public records and media coverage, this chapter begins by mapping out the intensity and evolution of media attention on the taxation of tech giants.

The results of the Lexis Nexis search helps to determine the temporal scope of this chapter, which begins in 2010. It is the year when the first French legislative proposal for taxing Big Tech was introduced by a member of the Senate. Media interest coincides with the new tax proposal: the search results show a notable rise in coverage following the announcement of new tax proposals. Early media discourse was narrowly focused on a single company, Google, before expanding to the broader category of tech multinationals. This shift is mirrored in the naming of legislative proposals. Between 2010 and 2016, early initiatives were labelled 'Google tax', while post-2017 reforms were more often referred to as 'digital services taxes' or 'GAFA tax' – an acronym for Google, Apple, Facebook and Amazon.

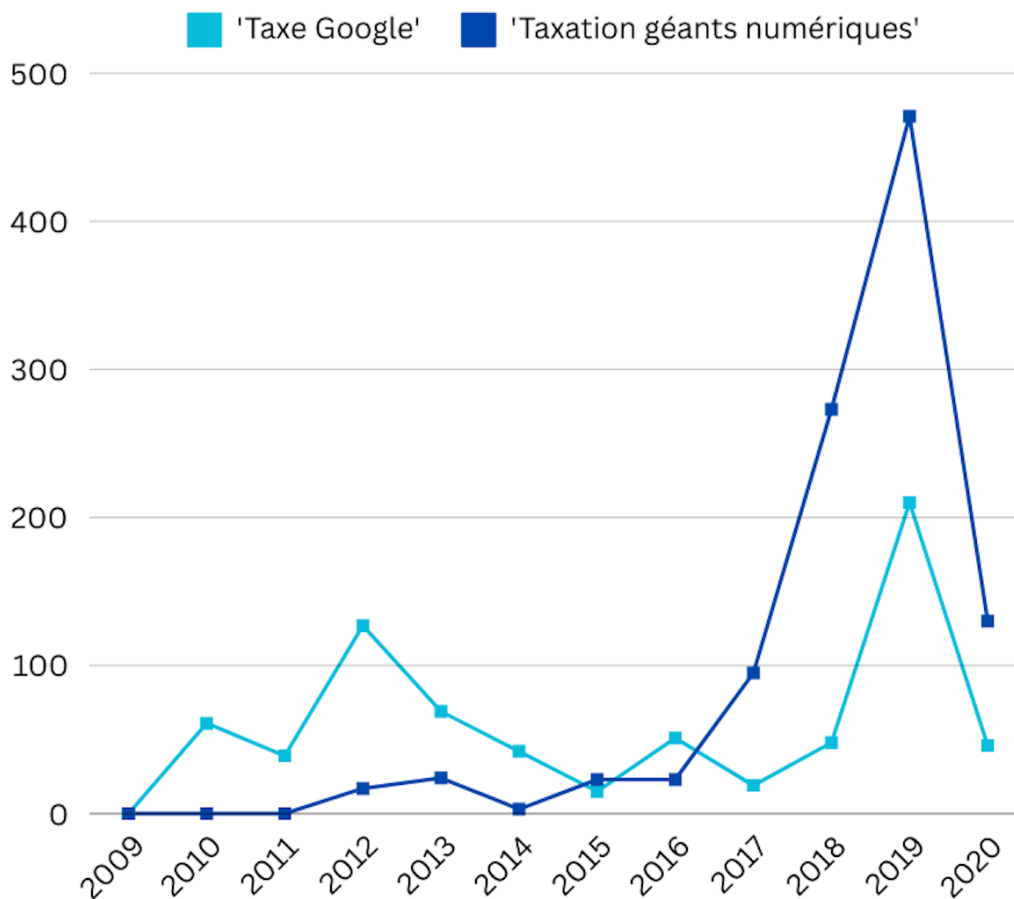
Quantitatively, this evolution is reflected in the number of media publications. From 2010 to 2016, the number of publications referencing a 'Google tax' ranged between 15 to 127 per year, while those mentioning the broader phrase 'taxation of Big Tech' ranged from 0 to 24. In contrast, between 2017 and 2020, 'Google tax' publications rose to between 19 to 210 annually, while the 'taxation of Big Tech' surged from 95 to 471 mentions per year.

¹⁵² Nexis database, *LexisNexis*, accessed between August 2024 – January 2025.

The peak of media attention – measured by the frequency of media references to Big Tech taxation, was reached in 2019, coinciding with the adoption of the French digital services tax. The data collected through Lexis Nexis shows a clear upward trend: until 2016, the keyword ‘Taxation des Géants du Numériques’ (‘Big Tech taxation’) yielded no more than 24 articles per year. This number jumped to 95 in 2017, with a notable spike in September that year. In 2018, the volume of publications more than doubled to 273, before reaching its peak at 471 in 2019. Media interest then dropped sharply, with only 130 publications recorded in 2020.

A visual representation of this trend is shown below. On the graph, the x-axis shows the years of publication, while the y-axis shows the number of media mentions. For readers without access to a coloured version, the line that starts higher and ends lower corresponds to the ‘Google tax’, while the line that begins lower and ends higher represents the broader discourse around the Big Tech taxation.

Graph 1: Shifting Frames in Media Coverage of Big Tech Tax Policy in France (2009-2020)



The remainder of this section delves deeper into the qualitative dimensions of media coverage and the dynamics behind the rise in political saliency around tech taxation in France. It traces the trajectory of political saliency from the early 2010s until the passing of the most significant unilateral tax reforms, the European and French digital services taxes, in 2018 and 2019. It provides insights into how saliency evolved and how it shaped the policy window for reform.

2.1. Attempts at Taxing Big Tech Failed at Both the Domestic and International Levels (Up to 2016)

This section focuses on the period preceding the eruption of political saliency. It demonstrates that although French policymakers began discussing how to tax digital companies operating across borders as early as 2010, none of the proposals put forward during this period were successfully passed. In a context of low saliency, successive efforts at tax reform targeting tech multinationals failed at both the domestic and international levels. This evidence strengthens the hypothesis that political saliency was a critical factor for tax reform to succeed.

2.1.a. 2010-2011: The First ‘Google Tax’ Proposal

The first major French legislative effort to reform the taxation of multinationals was launched in 2010. It emerged within the broader discussions surrounding the Finance Bill for 2010, which the government is required to present to Parliament by the first Tuesday of October for the following year. Once submitted, Parliament has 60 days to approve the bill – 40 days for the National Assembly and 20 days for the Senate¹⁵³. During this period, deputies may suggest and vote on amendments in the Autumn reading. A second legislative opportunity arises early in the year, during debates on the Corrective Finance Bill, which allows for adjustments to the budget once the new fiscal year begins.

The Finance Bill for 2010 was first debated in autumn 2009. It was approved by Parliament on the 30th of December 2009¹⁵⁴. One of its four core objectives was ‘the fight against tax heavens... in line with the G20 Statement in Pittsburgh’¹⁵⁵. This included proposals to enhance tax transparency and international cooperation, particularly targeting opacity in tax heaven jurisdictions. However it did not address the issue of profit-shifting by multinationals, nor did it propose any new tax on Big Tech.

¹⁵³ ‘Article 47 Constitution du 4 Octobre 1958’, ‘Article 34 Loi organique relative aux lois de finances (LOLF) 1^{er} Aout 2001’; ‘Comment se présente un projet de loi de finances (PLF) ?’, vie-publique.fr.

¹⁵⁴ Loi n°2009-1674 du 30 décembre 2009 de finances rectificative pour 2009.

¹⁵⁵ Communiqué de presse du Conseil des ministres, 16 November 2009.

A significant development occurred during the debates on the Corrective Finance Bill in February 2010, when senator Philippe Marini presented a new tax on online advertising revenues targeting digital platforms and web-browsers¹⁵⁶.

From its inception, both the media and political discourse referred to this initiative as the ‘Google tax’¹⁵⁷, reflecting its clear focus on the major tech platforms. This evidence passes the hoop test in process-tracing: it boosts confidence in the claim that Big Tech played a catalyst role for reform, with tax proposals presented for and directed at tech multinationals.

Senator Marini’s proposal relied on recommendations from the Zelnik Advisory Policy Committee, whose report was published in January 2010. The committee, chaired by prominent music producer Patrick Zelnik¹⁵⁸, was tasked with examining the growth of online cultural offerings and its implications for creators’ remuneration¹⁵⁹. It was formed in September 2009 at the request of Culture Minister Frédéric Mitterrand. The report recommended a tax on online advertising revenues generated through web-browsing in France¹⁶⁰. It aimed to levy a tax ‘high enough to protect small advertising companies’, specifically targeting dominant platforms ‘such as Google, Microsoft, AOL, Yahoo! or Facebook’¹⁶¹.

The day after the Zelnik report’s publication, President Nicolas Sarkozy endorsed the idea in his New Year 2010 address to French leaders in the media and culture industries – sectors increasingly challenged by online advertising platforms advertising for web-browsers and digital platforms¹⁶², and with an interest in seeing taxes increase for an emerging competitor, Big Tech.

This early initiative demonstrated the growing appetite of French policymakers to address the tax practices of tech multinationals. However, after introducing the proposal during the Corrective Finance Bill debates, Senator Marini withdrew the amendment before it could be voted on. In a media interview, he described his proposal as ‘only a call to start a debate (on the taxation of tech multinationals)’¹⁶³.

¹⁵⁶ ‘Collectif 2010 : le Sénat vote en commission une « taxe Google »’, *Agence France Presse*, 10 February 2010 ; Sénat, Compte rendu intégral, Séance du Mardi 16 Février 2010, *Journal Officiel de la République*.

¹⁵⁷ ‘Nicolas Sarkozy stigmatise Google’, *Le Figaro*, 8 January 2010 ; ‘Les entreprises du numérique françaises s’inquiètent d’une ‘taxe Google’’, *Le Monde*, 13 December 2010 ; Table ronde sur l’impact du développement du commerce électronique sur les finances de l’Etat, Sénat.fr, 7 April 2010.

¹⁵⁸ Zelnik was CEO of the French record company Naïve Records as well as president of Impala, the European federation for independent music publishers.

¹⁵⁹ ‘Frédéric Mitterrand entrust to Patrick Zelnik accompanied by Jacques Toubon and Guillaume Cerutti, a mission on the legal offer of cultural content on the Internet and on the remuneration of creators and the financing of cultural industries’, Communiqué de presse, Ministère de la Culture, 3 September 2009.

¹⁶⁰ Ministère de la Culture et de la Communication, Création et Internet, Rapport au ministère de la culture et de la communication, 6 January 2010 ; ‘La commission Zelnik propose de taxer Google’, *Le Figaro Economie*, 6 January 2010.

¹⁶¹ Ministère de la Culture et de la Communication, Création et Internet, Rapport au ministère de la culture et de la communication, 6 January 2010, p12.

¹⁶² ‘Nicolas Sarkozy stigmatise Google’, *Le Figaro*, 8 January 2010.

¹⁶³ ‘Votée, retardée, supprimée... Petite histoire de la « taxe google »’, *Le Monde*, 18 September 2012.

Two weeks later, on February 16th 2010, the Budget Minister Eric Woerth cited both technical and conceptual challenges in the proposal's design as the reasons for the government's withdrawal¹⁶⁴. The government remained timid in its calls for a tax reform. Nathalie Kosciusko-Morizet, Secretary of State for the Digital Economy, echoed these concerns, noting that 'the technical feasibility' of a tax on online advertising revenues 'remained to be thoroughly examined'¹⁶⁵.

Business opposition was clear. Olivier Esper, Senior Policy Manager at Google France, warned:

'Introducing an additional tax on internet advertising is not the right way forward as it could slow down innovation'¹⁶⁶.

This is a key evidence, because it boosts confidence in the research theory that national economic interests played a counterbalancing role to political salience. It passes the hoop test, but this evidence alone is not necessary to disqualify other hypotheses and validate the research theory.

Despite these setbacks, parliamentary discussions on digital taxation continued. On April 7th 2010, the French Parliamentary Committee on Financial Affairs hosted a roundtable discussion, drawing on findings from Greenwich Consulting¹⁶⁷. The committee report underscored the unique fiscal challenges posed by the digital economy. It emphasised that in business models centred on online advertising, user data and user volume were an integral part to value creation. These developments, the committee argued, raised fundamental questions and 'key challenges for the taxation of online marketplaces'¹⁶⁸.

By the end of 2010, the 'Google Tax' returned to the legislative agenda. During debates on the Finance Bill for 2011, Senator Marini introduced an amendment proposing a 1% tax on online advertising revenues generated by all web-browsing and platform companies operating in France¹⁶⁹. These debates followed preliminary discussions at the National Assembly, and took place before the final inter-chamber deliberations, when the Senate and the National Assembly convene to harmonise the bill's content¹⁷⁰.

¹⁶⁴ 'Séance du 16 Février 2010', *Sénat.fr*, Compte rendu intégral des débats.

¹⁶⁵ 'Taxe Google : la faisabilité technique reste à étudier (Kosciusko-Morizet)', *Agence France Presse*, 21 January 2010.

¹⁶⁶ 'Sarkozy proposes advert tax on Google', *Financial Times*, 7 January 2010.

¹⁶⁷ Table ronde sur l'impact du développement du commerce électronique sur les finances de l'Etat, *Sénat.fr*, 7 April 2010.

¹⁶⁸ Marie-Christine Lepetit, directrice de la législation fiscale – Table ronde du 7 avril 2010.

¹⁶⁹ 'Liste des amendements par ordre de dépôt', Projet de loi de finances pour 2011, 1^{ère} lecture, *Sénat.fr*; Rapport au nom de la commission mixte paritaire chargée de proposer un texte sur les dispositions restant en discussion du projet de Loi de Finance pour 2011', Gilles Garrez, rapporteur général, député, Philippe Marini, rapporteur général, sénateur', article 11 Bis B, n°3033 Assemblée nationale, n°169 Sénat, 13-14 December 2010.

¹⁷⁰ 'Article 11 bis B, Taxe sur les services de publicité en ligne', 'Projet de Loi de finances pour 2011, modifié par le Sénat', n°26 Sénat, 7 December 2010; For access to all documents from this legislative round, see 'Budget 2011, Loi de finances pour 2011', Dossier législatif, *Senat.fr*.

The Senate ultimately adopted Marini's proposal to impose a tax on 'all advertising companies established in France'¹⁷¹. Like its earlier version, the measure was widely referred to in the media as the 'Google Tax'¹⁷². However, the newly appointed Budget Minister, Francois Baroin, highlighted the absence of support from industry actors. Before the final inter-chamber debate, he put an amendment to Parliament stressing the need 'to negotiate with the relevant actors' prior to introducing any new tax¹⁷³.

The government opposed the proposal, arguing that¹⁷⁴:

'It would have targeted French small to medium enterprises, who want to go online, rather than the large internet giants initially targeted by the proposal'.

Indeed, opposition from domestic actors was strong. French advertising companies feared that they too would fall within the scope of the new digital tax. Giuseppe de Martino, President of the French association for digital services companies, voiced the industry's unified resistance. He warned that such a tax would be 'suicidal' for many digital firms, which were still in a growth phase.

During a roundtable with senators in April 2010, de Martino warned¹⁷⁵:

'In a sector that is highly dominated by Anglo-Saxon companies, any increase in the fiscal pressure would incite the few performing French companies to move abroad'.

While legislative discussions continued on the Finance Bill 2011, sixty-seven French digital companies published an open letter vigorously opposing the measure. They criticised the proposal for 'targeting small French businesses (rather than) American giants'¹⁷⁶.

This evidence passes the hoop test in process tracing: while it cannot alone validate the research theory, it lends considerable support to it. Indeed, it illustrates how policymakers faced limitations in their decision-making, balancing public demands with the need to safeguard the interests of industry leaders. Rising media coverage over multinational taxation, especially regarding tech companies, led to political pressure for actions and prompted politicians to introduce policy proposals. The influence of industry leaders served to constrain the scope and pace of reform.

¹⁷¹ 'Article 11 bis B, Taxe sur les services de publicité en ligne', 'Projet de Loi de finances pour 2011, modifié par le Sénat', n°26 Sénat, 7 December 2010.

¹⁷² 'Le Sénat adopte la « taxe Google »', *France 24*, 23 November 2010.

¹⁷³ 'Francois Baroin décale de six mois la « taxe Google »', *Reuters*, 15 December 2010 ; 'Google boit la taxe', *Liberation*, 16 December 2010.

¹⁷⁴ 'Sarkozy ressort la taxe Google', *Europe 1*, 15 March 2012.

¹⁷⁵ Sénat, *Table ronde sur l'impact du développement du commerce électronique sur les finances de l'Etat*, 7 April 2010.

¹⁷⁶ 'Appel des 67 contre la taxe de la publicité sur Internet : 'le spectre du Silicon désert'', *La Tribune*, 13 December 2010.

During the final round of debates in December 2010, deputies and senators in the inter-chamber seating postponed the implementation of the proposed tax from the 1st of January to the 1st of July 2011¹⁷⁷. According to the parliamentary roundtable report of the 18th of May 2011, this delay was meant to ‘give time to the tax authorities to plan the operating side of the implementation of the new tax, and to make the necessary contacts with working professionals’¹⁷⁸. Yet, a month later in June 2011, Senator Marini ultimately withdrew the proposal altogether following a vote in the National Assembly that removed the amendment from the final finance bill.

While the next chapter explores national economic interests in greater depth, it is worth noting their influential role in these early stages of the policy process. The business community’s opposition remained decisive. One major industry body, the *Conseil National du Numérique*, criticised the policy: ‘only French companies would have fallen into the scope (of this tax)’. Another key organisation, the *Association des Services Internet Communautaires*, declared:

‘The victims (of this tax) would have been mostly French companies... Parliament was right to give up this tax’¹⁷⁹.

Senator Marini later attributed the failure of his proposal to ‘intense lobbying’ against the proposal by industry actors¹⁸⁰.

Alongside industry resistance, political salience remained low at this time. The LexisNexis search revealed that media attention was modest: only 61 articles referencing the ‘Google tax’ appeared in 2010, dropping to 39 in 2011. Notably, no articles were found for the broader search ‘taxation of Big Tech’.

In other words, despite several attempts, during this period of low public visibility and strong business opposition, reform efforts failed to gain momentum. This is in line with the research theory according to which high salience could counterbalance business preferences for no or low taxation.

In January 2012, the Senate convened a new parliamentary roundtable on the taxation of digital actors. Participants examined multiple proposals, including a new version of the Google tax – this time targeting search engines and digital platforms for their use of online and printed content from press

¹⁷⁷ Sénat, Commission Mixte Paritaire, Amendement présenté par le Gouvernement, article 11 Bis B, Projet de loi PJLF 2011, n°3, 15 December 2010.

¹⁷⁸ Sénat, Comptes rendus de la commission des finances, ‘Fiscalité du commerce électronique – Table ronde, 18 May 2011.

¹⁷⁹ ‘Philippe Marini accepte de retirer sa taxe Google’, *The Media Leader*, 23 June 2011.

¹⁸⁰ ‘Taxe Google : évoluer vers une harmonisation des fiscalité en Europe’, *Le Monde*, 14 February 2012 ; ‘Votée, retardée, supprimée... petite histoire de la ‘taxe Google’’, *Le Monde*, 18 September 2012

publishers – and a reform of VAT rules to increase contributions from online media¹⁸¹. Revenues raised would be redistributed to publishing houses and news organisations.

Once again, the policy proposal was publicly framed through the lenses of Big Tech. The headlines ‘Sarkozy pulls back the Google tax’, appeared on the French main TV channel Europe 1, after then-President Nicolas Sarkozy reiterated his support for the measure in an exclusive interview with the French newspaper *Le Point*¹⁸². President Sarkozy emphasised¹⁸³:

‘Internet giants should be taxed based on how much activity they have in the country ... it is not acceptable that they get a turnover of several billions in France and do not pay taxes’.

This statement reveals the increasingly political nature of the tax debate – it had risen to the highest echelon of the state’s agenda and was now cast in terms of fairness and national sovereignty. Sarkozy’s statement on the ‘acceptability’ of the current fiscal statement is one that attracts public attention, asking voters to consider whether the tax system is fair.

Sarkozy’s comments also came in the context of the 2012 presidential campaign, suggesting a strategic use of salience to attract voters during an electoral period. Opposition leaders echoed similar views, supporting the passing of a new tax on digital giants. Aurélie Filippetti, then culture and media spokesperson for Socialist candidate Francois Hollande, endorsed the idea of a tax targeting ‘platforms such as Google or Amazon’¹⁸⁴. Her colleague Fleur Pellerin, in charge of digital affairs, denounced it as ‘inacceptable that companies with economic activity in France do not pay their taxes here’¹⁸⁵.

In July 2012, Senator Marini introduced a revised proposal, dubbed the ‘Google tax 2.0’ and formally titled ‘A Policy Proposal for a Fair Digital Tax’. It suggested a levy of 0.5% or 1% on online advertising revenues¹⁸⁶. However, French industry actors again criticised the initiative. Through their representative body, the Syndicat des régies Internet (SRI), they condemned the measure as harmful and ‘against the growth of French businesses and an exceptional case in Europe against the advertising industry’¹⁸⁷.

Despite the increasing political salience of the issue, domestic business opposition remained a decisive constraint. The tax would have applied not only to foreign platforms but also to French advertising

¹⁸¹ Sénat, *Rapport d’information ‘Médias et nouvelles technologies : actes de la table ronde du 26 janvier 2012 sur la fiscalité du numérique*, 30 mai 2012.

¹⁸² ‘Exclusif. Audiovisuel, Internet, Hadopi : Sarkozy parle’, *Le Point*, 15 March 2012.

¹⁸³ ‘Sarkozy ressort la taxe Google’, *Europe 1*, 15 March 2012.

¹⁸⁴ ‘Votée, retardée, supprimée... petite histoire de la ‘taxe Google’’, *Le Monde*, 18 September 2012.

¹⁸⁵ ‘Internet. Sarkozy ressort la taxe Google : le géant du net proteste, le PS aussi’, *Télégramme*, 14 March 2012.

¹⁸⁶ Proposition de Loi pour une fiscalité neutre et équitable, Philippe Marini, *Sénat*, 19 July 2012, n°682.

¹⁸⁷ ‘Votée, retardée, supprimée... petite histoire de la ‘taxe Google’’, *Le Monde*, 18 September 2012.

firms, which opposed the measure vigorously. As a result, the government refrained from taking further steps toward implementation.

The evidence presented above strengthens confidence in the research theory, which posits that policymakers weighed the political benefits of responding to political saliency against the economic imperative of safeguarding the interests of industry leaders. Taken as a whole, this body of evidence is sufficient to substantiate the claim that heightened political saliency generated momentum for policy reforms, while economic interests acted as a constraint on the range of policy options pursued.

To explore the issue further, newly appointed Finance Minister Pierre Moscovici commissioned a study in July 2012 on how to tax the digital economy. Two senior officials, Nicolas Colin from the French Treasury, and Pierre Collin, a state counsellor, were tasked with preparing the report¹⁸⁸. Their work would become influential in shaping later international debates, as shown in the last chapter of this research on intergovernmental negotiations¹⁸⁹.

In the meantime, the question of taxing tech giants was effectively set aside at the domestic level. Following repeated failed attempts, the French government shifted its attention to international forums, where a coordinated approach to taxing Big Tech was increasingly viewed as more viable.

2.1.b. 2012-2016: Domestic Reforms Remained at a Standstill as Political Saliency Grew

Policymakers' attention to tax reform increased further following a high-profile domestic scandal, known as the 'Cahuzac affair'. Although unrelated to the taxation of multinationals, the scandal shook the core of the French political establishment. It prompted politicians to double down their efforts to close loopholes enabling tax avoidance and aggressive fiscal optimisation. This shift in posture provides early evidence that heightened political saliency can alter how policymakers operate. Events such as this offer strong support for the argument that saliency can be a catalyst for policy change.

In the winter of 2012-2013, the newly appointed budget and tax minister, Jérôme Cahuzac, was accused of holding undisclosed foreign bank accounts and committing tax fraud. The revelation triggered a surge in political saliency around issues of tax justice. Public trust in the government fell sharply, and multiple senior officials – including Justice Minister Christiane Taubira, Interior Minister Manuel Valls,

¹⁸⁸ Ministère de l'économie et des finances, ministère du redressement productif, *Mission d'expertise sur la fiscalité de l'économie numérique*, Collin, P. Conseiller d'Etat, Colin, N. Inspecteur des Finances, 18 Janvier 2013. .

¹⁸⁹ Laure de La Raudière MP, *Twitter*, 10 June 2011 in 'votée, retardée, supprimée... petite histoire de la 'taxe Google', *Le Monde*, 18 September 2012.

and Finance Minister Pierre Moscovici – were summoned by the parliamentary commission to clarify their knowledge of Cahuzac’s financial misconduct¹⁹⁰.

In the aftermath, the government intensified its focus on tax compliance, for both individuals and, importantly for this research, for multinationals. The Cahuzac scandal had created powerful incentives for top French officials to be seen as proactive on tax enforcement. At the time of the scandal, Pierre Moscovici was serving as European Commissioner for Taxation and Customs, having previously held the post of French Finance Minister. In interview, Moscovici recalled his response to the scandal¹⁹¹:

‘I was collateral damage of the Cahuzac affair, and I absolutely did not want a similar thing to happen again’.

David Boubil, Head of Unit at the European Commission’s Taxation and Customs Union department (DG TAXUD) noted¹⁹²:

‘I think, given what had happened when he was finance minister, with the Cahuzac affair, Pierre Moscovici wanted to double down on his commitment to fighting any form of tax avoidance or aggressive fiscal optimisation – by individuals or companies’.

Although no major domestic legislative proposals emerged during this period, work on tax reform continued at the international level – further details on cross-national tax negotiations will be given in the next section. French policymakers also advanced technical thinking on how to modernise tax laws to address the digital economy. In July 2012, Finance Minister Moscovici commissioned a detailed report on the subject, prepared by Nicolas Colin (from the French Treasury) and Pierre Collin (a State Councillor).

Published in January 2013, the Collin and Colin report provided a foundational critique of the current international tax system and detailed how tax loopholes ‘were currently being used by all the large digital American companies, especially Google, Amazon, Facebook, Apple and Microsoft’¹⁹³.

The report made several important contributions. A key recommendation concerned the notion of permanent establishment. It argued that traditional definitions – based on the physical location of a company’s headquarters – were outdated in the context of a digitalised economy.

¹⁹⁰ ‘Trois ministres devant la commission Cahuzac’, *FranceInter*, 16 July 2013.

¹⁹¹ interview 22.

¹⁹² interview 21.

¹⁹³ Ministère de l’économie et des finances, ministère du redressement productif, *Mission d’expertise sur la fiscalité de l’économie numérique*, Collin, P. Conseiller d’Etat, Colin, N. Inspecteur des Finances, 18 Janvier 2013, p21.

The report highlighted the fact that more goods and services, from both tech and non-tech actors, were sold online and across borders. It argued that taxation should be reoriented towards market jurisdictions, where value is actually created by users and consumers, instead of continuing with the traditional definition of permanent establishment.

For example, the report argued that if a Dublin-based multinational was selling shoes to French users online, the resulting profits should be taxed in France (where the users are located), rather than in Ireland (where the company is domiciled).

Another significant recommendation centred on the concept of user-generated value. The report highlighted that digital companies often extract economic value by collecting and analysing data from users, without compensating them. It allows the company to target their consumers with more accuracy as well as sell this information to third-party agencies.

This ‘free labour’ by users enhances the value of the platform and creates revenues that, under current tax rules, are not adequately captured by the jurisdictions where the data is sourced. Collin and Colin called for a new tax regime in which the location of users – and the value they contribute – would factor into where multinationals profits are taxed for this new ‘digital economy’.

Nonetheless, despite its intellectual weight, the Collin and Colin report was met with scepticism in Parliament. During legislative debate, Senator Bruno Retailleau remarked¹⁹⁴:

‘Your report is great intellectually, but frankly, it will struggle to bear fruit in practice’.

Senator Yves Rome echoed this concern, asking: ‘How do we only tax data which is creating value?’¹⁹⁵.

In response, Pierre Collin emphasised the long-term strategic value of the report’s recommendations¹⁹⁶:

‘The long-term goal (of this report) is to tax the profits by keeping them in France’. Senator Philippe Marini, then president of the Finance Commission, also backed the initiative, stating that the proposals would allow France to ‘collect information and strengthen our position vis-à-vis Big Tech, preparing (us) for future negotiations with these companies’.

¹⁹⁴ ‘Fiscalité du numérique : les sénateurs relèvent la difficulté de mettre en œuvre le rapport Collin & Colin’, *La Correspondance économique*, 22 January 2013.

¹⁹⁵ *Idem*.

¹⁹⁶ *Idem*.

Unbeknownst to its authors, the Collin and Colin report would later become the intellectual foundation for both the European digital services tax proposal of 2018 and the French digital services tax in 2019. However, at the time of its publication in 2013, the report failed to prompt any concrete legislative changes.

These findings about the Collin and Colin report help to rule out an expert-driven alternative explanation, demonstrating that elected officials decided to reject the proposals advanced by experts. Politics prevailed over expert guidance.

This lack of follow-through strengthens confidence in the hypothesis that, in the absence of political momentum, substantial tax reforms were unlikely to gain traction. The Google tax proposals and the Collin and Colin proposals stalled because the lack of salience in enabling reform. They failed despite similar momentum in other European countries: German parliamentarians were discussing the drafting of a new proposal to tackle the growth of online publishers. In early 2013, the Bundestag passed a reform of the federal Copyright Act¹⁹⁷. It was named after the U.S. tech giant, becoming the ‘Lex Google’¹⁹⁸.

A year later, in 2014, a second wave of intense media scrutiny surged across Europe. The ‘Luxembourg Leaks’ (LuxLeaks) revelations exposed preferential tax treatment granted by Luxembourg to over 300 multinationals. The leaked documents, covering advance tax rulings made between 2002 and 2010, showed how accounting firm PricewaterhouseCoopers had advised companies on aggressive tax optimisation schemes. The documents revealed how Luxembourg’s tax authority significantly reduced tax liabilities through these confidential arrangements.

The LuxLeaks had a galvanising effect on public debate across Europe. The French newspaper *Le Monde* declared in 2014¹⁹⁹:

‘LuxLeaks: tax evasion is a national sport for American giants’

By 2015, large technology multinationals ‘have become one of the most commonly used examples of a corporate tax dodger’, said tax justice activist Tove Ryding²⁰⁰.

¹⁹⁷ German Bundestag, Draft of a Seventh Act amending the Copyright Act, Resolution recommendation and report of the Legal Affairs Committee on the federal government’s draft law, 17th electoral term, 17/12534, 27 February 2013.

¹⁹⁸ ‘German MPs back “Lex Google” copyright reforms but expert predicts years of legal uncertainty’, *Pinsent Masons*, 1 March 2013 – the ‘Lex Google’ was the proposal by the German government, agreed and implemented in 2013.

¹⁹⁹ ‘LuxLeaks: l’évasion fiscale, un sport national pour les géants américains’, *Le Monde*, 27 October 2014.

²⁰⁰ ‘The test of Apple’s different political thinking’, *Politico*, 4 November 2015.

The revelations struck a particular chord because they placed European Commission President Jean-Claude Juncker under direct scrutiny. As Luxembourg's former Prime Minister and Finance Minister from 1989 to 2013, Juncker was questioned about his awareness of these preferential rulings.

Juncker said in a press conference following the leaks²⁰¹:

‘This is not a coincidence. The first wave (of revelations) came when I started and the second is launched when I am being sworn in before the court ... the coordination of tax policies is an absolute necessity, I will do it’.

In the immediate aftermath, the European Parliament held an extraordinary session on tax evasion and avoidance, with Juncker in attendance²⁰². While he defended the legality of many rulings, he acknowledged that the system was flawed and called for reform. ‘Commissioner Moscovici will initiate proposals for an automatic exchange of information regarding national tax rulings’, Juncker told Parliament²⁰³.

Importantly, Juncker and his Commission explicitly linked their reform efforts to the public pressure stemming from LuxLeaks. David Boubilil, Head of the Unit at the European Commission's Taxation and Customs Union department (DG TAXUD), recalled²⁰⁴:

‘The LuxLeaks revelations made the Juncker Commission a particular one for taxation. In front of this renewed public spotlight on the matter, and because he was embroiled in the crisis, Jean-Claude Juncker absolutely wanted to show his willingness to fight against tax loopholes, and he gave (the European Commissioner for taxation and customs) Pierre Moscovici a strong mandate for this’

The evidence above shows that political pressure on public officials intensified, prompting them to take action. As the taxation of multinationals became a political issue, policymakers stepped up their efforts to devise a solution. This evidence passes the hoop test: while it cannot independently eliminate alternative explanations, it strengthens confidence in the claim that political salience played a significant role in advancing tax reform.

²⁰¹ ‘Juncker pushes tax crackdown after new LuxLeaks row’, *Agence France Presse*, 10 December 2014.

²⁰² European Parliament, [EP reaction to the Lux-leaks revelations](#), Press Release, 12 November 2014.

²⁰³ European Parliament, [MEPs call for tax harmonisation and transparency on national tax rulings in ‘Lux leaks’ debate](#), Press Release, plenary session, 12 November 2014.

²⁰⁴ interview 21.

On November 13th 2014, European Commissioner for Tax and Customs Pierre Moscovici announced a new tax transparency initiative regarding tax rulings²⁰⁵. Draft legislation was sent to the European Parliament to improve cooperation among national tax jurisdictions and enhance transparency on advance rulings. The proposal built on an earlier report published in May 2014 by the Commission's expert group on the taxation of the digital economy²⁰⁶. In light of LuxLeaks, its urgency had grown.

Still, dissatisfaction remained. The finance ministers of France, Germany, and Italy sent a joint letter to European Commissioner Pierre Moscovici calling for deeper action. They argued²⁰⁷:

‘The lack of tax harmonisation in the European Union is one of the main causes allowing aggressive tax planning, base erosion and profit shifting to develop within the internal market ... The Commission’s proposal to make information exchanges on cross-border tax rulings mandatory and automatic is necessary ... (but) one should also cover decisions relating to transfer pricing (and) one should think about stricter conditions and rules for the issuance of such unilateral rulings ... we have a real opportunity to go further in this area ... transparency is not enough ...’.

The LuxLeaks scandal reinvigorated support for a long-dormant European initiative on an EU-wide corporate tax for cross-border companies. The Common Consolidated Corporate Tax Base (CCCTB) proposal was originally proposed in March 2011²⁰⁸. It aimed to simplify and harmonise corporate tax rules across the EU. Companies operating in multiple EU jurisdictions would calculate their taxable profits under a single set of rules and file a single tax return. The goal was to reduce compliance costs and encourage cross-border expansions with a ‘one-stop-shop’ system. The proposal’s original framing was explicitly pro-business: ‘Making business easier and cheaper’ was the title of the CCCTB’s announcement²⁰⁹.

In light of LuxLeaks, the CCCTB returned with a new focus on combating tax avoidance. Commissioner Moscovici re-launched the initiative in November 2014²¹⁰, with a formal legislative proposal following in October 2016²¹¹. He declared, in a Q&A on the drafting of the new proposal in June 2015²¹²:

²⁰⁵ European Commission, [Pierre Moscovici, The battle against tax fraud and tax evasion](#), Press Corner, 13 November 2014.

²⁰⁶ European Commission, [European Commission Expert Group on Taxation of the Digital Economy Report](#), May 2014.

²⁰⁷ ‘Letter to Mr Pierre Moscovici, European Commissioner for Economic and Financial Affairs, Taxation and Customs’, Dr. Wolfgang Schauble, Michel Sapin, Pier Carlo Padoan.

²⁰⁸ European Commission, [Proposal for a Council Directive on a Common Consolidated Corporate tax Base \(CCCTB\)](#), 2011/0058, 16 March 2011.

²⁰⁹ ‘European corporate tax base: making business easier and cheaper’, European Commission, 16 March 2011.

²¹⁰ ‘The battle against tax fraud and tax evasion’, Pierre Moscovici, European Commission – Speech, 13 November 2014.

²¹¹ European Commission, [Proposal for a Council Directive on a Common Consolidated Corporate Tax Base \(CCCTB\)](#), 2016/0336, 25 October 2016.

²¹² European Commission, [Questions and Answers on the CCCTB re-launch](#), 17 June 2015.

‘The primary goal of the CCCTB proposal was to strengthen the Single Market by making it easier and cheaper for companies to operate across borders in the EU ... However, the CCCTB could also be an important instrument to combat tax avoidance’,

The Q&A was part of the launch of the Commission’s Action Plan for a Fair and Efficient Corporate Tax System in the EU²¹³. This time, the CCCTB would be mandatory for multinationals, whereas small and medium enterprises could choose to opt in voluntarily.

‘The difference, as compared to the proposal of 2011, is that the re-launched initiative would lay down mandatory rules for groups above a certain size, in order to enhance the resilience of the system against aggressive tax planning practices’,
stated the new version of the proposal in October 2016²¹⁴.

Indeed, by creating a common tax base, the CCCTB aimed to eliminate discrepancies and opacity across national systems – thus closing loopholes like those revealed in LuxLeaks. A second step of the proposal, consolidation, would allow companies to fill in tax returns in one jurisdiction based on their total EU-wide profits. This would reduce incentives for complex profit-shifting schemes as companies would be taxed by one common tax jurisdiction on all their profits.

Thus, the revised proposal was directed more closely towards reducing tax avoidance: The CCCTB would ‘ensure a closer link between taxation and economic activity and shutting off major channels of avoidance’, declared the European Commissioner for Tax and Customs Pierre Moscovici in his speech announcing the revival of the proposal in November 2014²¹⁵.

The new CCCTB also strengthened its focus on digital actors. While the initial CCCTB proposal focused on the largest multinationals, the amendments made by the European Parliament to the new CCCTB proposal targeted tech multinationals. The European Parliament voted in favour of emphasising the digital dimension of tax across Europe, with benchmarks such as user numbers and data volume used to determine the location for value creation and assign the company to a tax jurisdiction accordingly. The Commission ‘welcome(d) the amendments ... on the CCTB and the CCCTB as a good base for further work on ensuring fair taxation of digital activities’²¹⁶.

²¹³ ‘Commission presents Action Plan for Fair and Efficient Corporate Taxation in the EU’, European Commission Press release, 17 June 2015.

²¹⁴ European Commission, Proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB), 2016/0336, 25 October 2016, p3.

²¹⁵ ‘The battle against tax fraud and tax evasion’, Pierre Moscovici, European Commission – Speech, 13 November 2014.

²¹⁶ ‘European Parliament, Corporate taxation of a significant digital presence, EU Legislation in Progress, Briefing, December 2018., p4.

Yet, despite political momentum, the CCCTB never became law. Failure to reach an agreement amongst member-states led the European Commission to withdraw its proposal in May 2021²¹⁷. In its place, it will launch later the Business in Europe: Framework for Income Taxation (BEFIT) proposal, in September 2023²¹⁸. BEFIT sought to reduce compliance costs and improve transparency between national tax authorities without imposing a new EU-wide rulebook. Unlike CCCTB, BEFIT avoided the contentious issues of harmonised rates, focusing instead on coordination²¹⁹.

The trajectory of the CCCTB shows that although efforts to tackle tax loopholes across the EU were slow to yield results, they were not abandoned – even as political salience increased. Policymakers devoted increasing time and energy to finding a solution to the problems highlighted in the press.

Efforts to pass domestic tax reforms also continued. In November 2016, during National Assembly debates on the Finance Bill 2017, Socialist deputy Yann Galut introduced a new proposal for a ‘diverted profit tax’²²⁰, inspired by the UK’s 2014 initiative²²¹. Like its British counterpart, the French DPT aimed to ‘tax the turnover of multinationals that was being made in France and artificially moved out of the country’, Galut argued²²². Again, the proposal was referred to in media and political circles as a ‘Google tax’²²³, reflecting the alignment between the policy’s aims and the primary target of media scrutiny.

The proposal gained support in Parliament within parts of the Socialist Party, yet it faced stiff resistance from government ministers, also from the Socialist Party. Finance Minister Michel Sapin argued that ‘this tax is not the solution’²²⁴, while the Budget Minister Christian Eckert defended the existing system as ‘much more performing than we realise’, and ‘wished the withdrawal of the proposal’²²⁵. The proposal was ultimately rejected by the Constitutional Council²²⁶.

²¹⁷ European Commission, Communication from the Commission to the European Parliament and the Council, Business Taxation for the 21st century, COM(2021) 251 final, 18 May 2021, p12.

²¹⁸ European Commission, Proposal for a Council Directive on Business in Europe: Framework for Income Taxation (BEFIT), 2023/0321, 12 September 2023.

²¹⁹ ‘CCCTB vs BEFIT: How have the proposals changed?’, *Tax Foundation*, 20 October 2023.

²²⁰ Yann Galut, Assemblée nationale, XIV^e législature, Session ordinaire de 2016-2017, Compte rendu intégral, Deuxième séance du Jeudi 17 novembre 2016, Article 46, amendement 1085.

²²¹ HM Revenue & Customs, Diverted Profits Tax, Policy paper, 10 December 2014.

²²² ‘La « taxe Google » tente une percée à l’Assemblée’, *Libération*, 10 November 2016.

²²³ ‘La « taxe Google » tente une percée à l’Assemblée’, *Libération*, 10 November 2016 ; L’assemblée nationale a voté une ‘taxe Google’ remaniée’, *Le Monde*, 18 November 2016 ; ‘La « Google tax » proposée par le député PS du Cher Yann Galut adoptée par l’Assemblée nationale’, *France 3*, 22 November 2016.

²²⁴ ‘Taxe Google votée à l’Assemblée, le ministre du budget ‘un peu gêné’’, *Libération*, 18 November 2016.

²²⁵ ‘L’assemblée nationale a voté une ‘taxe Google’ remaniée’, *Le Monde*, 18 November 2016.

²²⁶ Conseil constitutionnel, décision n° 2016-744 du 29 décembre 2016, Loi de finances pour 2017, para 80-84 ; ‘Le Conseil constitutionnel censure la taxe Google’, *Libération*, 29 December 2016.

Once again, the business community opposed the unilateral proposal. A deputy who voted against the proposal argued that ‘the country should not send negative signals to start-ups, because (business) is not all about the Big Tech’²²⁷.

Christian Eckert, former Budget Minister, recalled²²⁸:

‘There was a fear of scaring business away by acting alone’.

In sum, while political salience surrounding tax issues began to rise during this period – amplified by scandals and growing awareness of corporate tax avoidance – no substantial domestic reforms were passed between 2012 and 2016. Still, the groundwork was being laid. Policymakers were increasingly aware of the need for reform, and technical frameworks for taxing digital companies were beginning to take shape.

The absence of a successful policy breakthrough in this period underscores the research theory’s central claim: without sufficient political salience, and despite technical capacity, policy change is unlikely to occur.

2.1.c. 2012-2016: International Reforms Progressed Slowly

The growing political momentum for reforming the taxation of multinationals led more governments to place the issue on the agendas of international summits. The OECD became the primary organisation for designing and negotiating international tax reforms. While these agreements were non-binding, member countries committed to implementing the reforms they designed and signed under the OECD framework.

In October 2010, investigative reporting by US-based Bloomberg’s Jesse Drucker exposed how several U.S. multinationals used complex tax structures to channel profits from high-tax to low-tax jurisdictions. The revelations made headlines²²⁹, with publications like *The New Yorker* framing tax reform as ‘a major political issue’²³⁰.

²²⁷ ‘Taxe Google votée à l’Assemblée, le ministre du budget ‘un peu gêné’’, *Libération*, 18 November 2016.

²²⁸ interview 25

²²⁹ ‘The tax haven that’s saving Google billions’, *Bloomberg*, 21 October 2010.

²³⁰ ‘Apple’s tax dodges’, *The New Yorker*, 21 May 2013.

Much like policy developments at the national level, progress at the international level was driven by political momentum. Itai Grinberg, former U.S. Treasury tax delegate at the OECD during the Biden administration, recalled²³¹:

‘Public attention led to more involvement of the higher political echelons of government’.

The issue of taxing Big Tech quickly became highly political, a trend reflected in governments’ growing attention to the work of the OECD on this front. As Pacal Saint-Amans, the then OECD’s tax director, noted in his memoir²³²,

‘Of all the Base Erosion and Project Shifting actions, the one relating to the taxation of digital companies caught the attention of politicians the most’.

The evidence above is critical. It meets the criteria of the Smoking-Gun process-tracing test by clearly showing that, in response to public pressure, policymakers concentrated their efforts within policy debates on taxing Big Tech. It confirms the claim that political salience was the driving force behind the push for change.

The question of taxing multinationals first appeared on the international agenda at the G8 summit in May 2011, held in Deauville, France. The French government, as the host, played a crucial role in setting the agenda. In its 2012 report on the digital economy, Catherine Morin-Desailly, Chair of the Senate roundtable for ‘The Media and New Technologies’, noted that the French initiative placed the question of addressing policy challenges linked to the digital ecosystem, including taxation, on the summit’s agenda²³³.

At the G20 meeting in Los Cabos in June 2012, countries officially tasked the OECD with addressing base erosion and profit shifting within the current international tax framework. As a result, the Base Erosion and Profit Shifting (BEPS) project was launched following the summit.

A German tax official recalled how media coverage prompted immediate action²³⁴:

²³¹ ‘The Looming Tax War’, *Foreign Affairs*, 17 January 2020.

²³² Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p176.

²³³ Sénat, *Rapport d’information ‘Médias et nouvelles technologies : actes de la table ronde du 26 janvier 2012 sur la fiscalité du numérique*, 30 May 2012, p6.

²³⁴ Hakelberg, L. (2020), *The Hypocritical Hegemon*, ‘The BEPS Project’, p110.

‘Suddenly our minister had this catchy example (the media coverage on Big Tech’s tax affairs), and my colleagues mailed me from (the G20 summit in) Los Cabos, asking how one could integrate the tax avoidance issue into the final communiqué’.

This quote supports the claim that political salience, nurtured by media coverage, was the primary driver of tax reforms. It created a window of opportunity for policy change: only after the eruption of salience were tax experts able to put forward reform proposals that politicians would act upon.

The BEPS project marked the first major attempt to reform international tax rules since they were originally designed in the 1920s, based on the concept of ‘permanent establishment’. The reform sought to modernise transfer-pricing rules and close tax loopholes that had been exposed by the press.

One notable loophole was the ‘Double Irish’, which allowed companies to transfer royalty payments from entities in the EU, usually in Ireland and the Netherlands, to offshore jurisdictions like Bermuda without incurring withholding taxes on these royalties. This structure, which relied heavily on royalty payments for intellectual property licensing, was primarily used by tech multinationals – along with pharmaceuticals and industries with patents. Indeed, the rise of the digital economy exacerbated these tax avoidance strategies, as tracking the location of profit became increasingly difficult.

As concerns grew, it became evident that the traditional approach of taxing multinationals based on their physical establishment was no longer suitable for the digital age. In an economy where intangible assets make up an increasing portion of value creation, multinationals could sell in one country while being headquartered in another. The BEPS project aimed to address this discrepancy by ‘better aligning rights to tax with economic activity’²³⁵. Two key areas for reform focused on the separation of profits and substance in corporate income tax, and the minimal VAT collection on remote sales²³⁶.

The final consolidated BEPS package was delivered by the OECD in October 2015²³⁷, comprising 15 recommendations for tax reforms. Some of these focused specifically on the digital economy and cross-border trade, while others aimed to enhance transparency and cooperation amongst tax jurisdictions.

In its final report in October 2015, the OECD stated²³⁸:

²³⁵ OECD (July 2013), *Action Plan on Base Erosion and Profit Shifting*, Paris: OECD Publishing.

²³⁶ Collier, R. (2023), The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018, *World Tax Journal*, Vol.15, Issue 2, p173.

²³⁷ OECD (October 2015), *Taxing Multinational Enterprises, BEPS, Policy Brief Update n°3*; OECD (October 2015), *Addressing the Tax Challenges of the Digital Economy, Final Reports, Executive Summaries*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

²³⁸ OECD (October 2015), *Addressing the Tax Challenges of the Digital Economy, Action 1: Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

‘The BEPS package of measures represents the first substantial renovation of international tax rules in almost a century’.

According to Itai Grinberg, a tax expert and former US representative at the OECD, BEPS 1.0 was a significant step in bringing member states together to acknowledge and address pressing issues in international tax law. It was²³⁹:

‘The most extensive attempt to change international tax norms since the 1920s’.

Particularly significant were the recommendations in Action 1, which focused on adapting the concept of permanent establishment to the digital economy. This was a contentious issue directly tied to the challenges highlighted by recent tax scandals.

Indeed, Action 1 sought to redefine what constitutes a company’s permanent establishment, which is a key determinant for where corporate income tax is levied under international tax rules²⁴⁰. Under the current rules of the OECD’s Model Tax Treaty, permanent establishment is based on the company’s physical presence in a country, determining whether a non-resident company has a sufficient presence in a jurisdiction to be taxed here²⁴¹. Companies could be domiciled and taxed in low-tax jurisdictions like Luxembourg, the Netherlands, or Ireland while operating in other countries such as in France. Action 1 proposed a shift to taxing companies in every country where they operate or have users, regardless of physical presence.

By redefining the concept of permanent establishment, the OECD sought to address the mismatch between where economic activity takes place, where value is created, and where profits are ultimately taxed²⁴². At a time when multinationals, especially tech companies, could easily operate across borders, the proposed shift in taxation primarily targeted US-based Big Tech companies.

As one OECD report noted²⁴³:

‘The digital economy raises broader tax challenges for policymakers ... (which) trigger more systemic questions about the ability of the current international tax framework ... to ensure that profits are taxed in the jurisdiction where economic activities occur and where value is

²³⁹ Grinberg, I. (2015), ‘The new international tax diplomacy’, *The Georgetown Law Journal*, Vol.104, p1140.

²⁴⁰ OECD (15 July 2014), Model Tax Convention on Income and on Capital 2014 (Full Version), OECD Committee on Fiscal Affairs, Paris: *OECD Publishing*.

²⁴¹ Hakelberg, L. (2020), The Hypocritical Hegemon, How the United States shapes global rules against tax evasion and avoidance, *Cornell University Press*, p121.

²⁴² Grinberg, I. (2015), ‘The new international tax diplomacy’, *The Georgetown Law Journal*, Vol.104, p1137.

²⁴³ OECD (October 2015), Addressing the Tax Challenges of the Digital Economy, Action 1: Final Report, OECD/G20 Base Erosion and Profit Shifting Project, Paris: *OECD Publishing*, p146.

generated ... (these challenges) relate primarily to the allocation of taxing rights among different jurisdictions’.

The proposed change in the definition of permanent establishment also meant that offshore income from U.S. companies would be subject to taxation in market jurisdictions, reducing the share that would be repatriated to the US and thus taxable by the U.S. Treasury.

Under current rules, the U.S. repatriation tax law meant that the U.S. Treasury expected the offshore income of U.S. multinationals to be eventually taxed in the United States. Many U.S. multinationals were headquartered in one European jurisdiction to conduct business across the EU, but the majority of their profits were not taxed by those jurisdictions, as they were intended to be repatriated to the US, under the repatriation tax law. This arrangement allowed U.S. multinationals to declare their profits as taxable in the U.S. but delay paying taxes until the profits were brought back to the U.S.

The U.S. criticised the Action 1 proposal as an attack on its multinationals. The change could increase the tax liabilities of tech companies in Europe, as they would be taxed in every country where they operated or where their users were located, even though the company would be ‘reaching’ those users digitally rather than with a physical establishment. This could not only increase U.S. firms’ tax liabilities abroad but also reduce the amount of money repatriated to the U.S.

As a result, Robert Stack, the U.S. representative at the OECD for international tax negotiations, argued that taxation should primarily occur in the country where intellectual property is developed – typically the U.S. for tech multinationals²⁴⁴. He expressed his ‘extreme disappointment’ over the Permanent Establishment discussions, urging countries to ‘acknowledge the sometimes unpleasant reality that very often there’s not much value added in their jurisdictions’²⁴⁵.

Despite responding to the demands of market countries like France, the BEPS provisions in Action 1 on taxing the digital economy faced significant opposition and were sidelined. Pascal Saint-Amans, then-OECD tax director, explained²⁴⁶:

The US ‘put its veto on any transfer of taxing rights to countries in which tech companies operate with no physical presence, that is, a permanent establishment’.

²⁴⁴ Stack, R. B., ‘Stack discusses the progress and future of BEPS’, *Tax Notes*, 29 June 2015.

²⁴⁵ *Idem*.

²⁴⁶ Assemblée Nationale, Audition de Pascal Saint-Amans, 3 April 2019, p58.

Additionally, the revised definition of permanent establishment was made optional. While France adopted it, neither the US nor other European low-tax jurisdictions did²⁴⁷. As a result, BEPS 1.0 did not resolve the contentious idea of where multinationals should pay taxes. The BEPS final report on Action 7 stated²⁴⁸:

‘The BEPS project is not directly aimed at changing the existing international standards on the allocation of taxing rights on cross-border income’.

The OECD’s aim to change international tax rules following its mandate by the G20 was significant: it represented a direct response to public demands for realigning the taxation of multinationals – especially Big Tech – with the location where they were perceived to generate profits.

Crucially, this evidence strengthens confidence in the research theory by showing that international negotiations were shaped by issues at the centre of political salience. However, no concrete policy agreement emerged at this stage on redefining permanent establishment – an essential step toward addressing public demands for taxing Big Tech in market countries. Divergent national economic interests, focused on protecting fiscal sovereignty and retaining taxing rights, ultimately blocked consensus.

Despite the unresolved issues from BEPS 1.0, the OECD continued its work to address the remaining gaps. The OECD’s 2015 report stated that ‘a report reflecting the outcome of the continued work in relation to the digital economy should be produced by 2020’, as a counterfactual of not implementing Action 1²⁴⁹. Consultancy firm KPMG emphasised that the Task Force on the Digital Economy would continue to monitor new business models linked to the digital economy and evaluate the effectiveness of BEPS measures, aiming to release a report by 2020²⁵⁰:

A multilateral instrument (MLI) was also introduced to help countries implement BEPS measures. The MLI provided streamlined solutions for integrating BEPS measures into domestic law without the need to renegotiate bilateral treaties. G20 finance ministers, including the UK, agreed on the MLI in March 2017 during a quarterly summit in Baden-Baden, Germany. The ministers set the date for signing the MLI on June 7th, 2017, which enabled a faster and smoother implementation of international tax reforms

²⁴⁷ OECD (2017), *Matrix and Reservations, MLI Database*, articles 12-15 on the revised definition of the Permanent Establishment, adopted by France except for 13.7 and 14.3.a; US Treasury (2016), ‘United States Model Income Tax Convention’, *Washington, DC: Department of the US Treasury*, article 5.

²⁴⁸ OECD (2015), *Preventing the Artificial Avoidance of Permanent Establishment Status, Final Report*, Action 7, OECD/G20 Base Erosion and Profit Shifting Project, *OECD Publishing Paris*, p14.

²⁴⁹ OECD (October 2015), *Addressing the Tax Challenges of the Digital Economy, Action 1: Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*, p149.

²⁵⁰ KPMG (2015), ‘Special report on BEPS – Final OECD recommendations on the Base Erosion and Profit Shifting (BEPS) Action Plan and what they mean for you’, p2.

than if the measures were implemented by each country unilaterally. It entered into force on July 1st, 2018²⁵¹.

In addition, G20 finance ministers called for a list of jurisdictions failing to meet acceptable standards in international tax cooperation to be drawn by the next quarter, July 2017, and for an interim BEPS progress report for the Spring 2018 meeting of the IMF and World Bank Group. The European Union also introduced new rules, with its Anti-Tax Avoidance Directives of July 2016 directly building on BEPS recommendations²⁵².

In June 2016, one year after the publication of the BEPS 15 Actions, the OECD launched BEPS 2.0. This new phase aimed to implement the recommendations from BEPS 1.0 while continuing to address the issue of taxing the digital economy. BEPS 2.0 sought to ‘better align rights to tax with economic activity’²⁵³ and was expected to release a first progress report by Spring 2018. The International Chapter will track these negotiations closely.

At the European level, parallel efforts were also underway. Two months after the BEPS Actions were published, the European Parliament proposed a new solution to address digital companies. On December 16th, 2015, MEPs published a resolution calling for an updated definition of the ‘permanent establishment’ rule to enable tax authorities to tax companies with a digital presence in their country based on a ‘minimum economic substance’²⁵⁴.

This proposal was supported by the European Parliament’s Committee on Tax Rulings and was later adopted in resolutions in November 2015 and July 2016. The European Parliament’s Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion (PANA) also published a report on the topic on this issue, adopted in December 2017. However, due to the lack of involvement from the US and other host countries for multinationals, these EU-level reforms had limited impact.

Thus, evidence shows that international tax reforms were being developed to address concerns in market countries, such as in France, regarding the taxation of multinationals. The French government supported the BEPS recommendations, yet despite growing political saliency, international negotiations moved slowly. Consequently, governments were incentivised to address the issue of taxing multinationals – particularly Big Tech – at the domestic level.

²⁵¹ OECD (2017), Multilateral convention to implement tax treaty related measures to base erosion and profit shifting, *OECD Publishing Paris*.

²⁵² Council Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market, 2016/1164, *Official Journal of the European Union*, 12 July 2016.

²⁵³ OECD (8 June 2019), Progress report July 2018 – May 2019, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*, p22.

²⁵⁴ European Parliament, Corporate taxation of a significant digital presence, Taxation of the digital economy, Legislative train.

In conclusion, while there is evidence of growing attention to the issue taxing multinationals in the period before 2017, no domestic tax reforms were successfully passed, and international agreements progressed slowly. The research shows that while media attention increased, the political salience required to drive reform was not yet fully realised. This evidence indicates that a net increase in political salience would be necessary to carry a tax reform forward. As the next section will show, the growing salience of the issue made the latter an immediate problem to be addressed both over the long-term and unilaterally by governments.

2.2. The Eruption of Salience Changed the Government Priorities (2017-2019)

The significant surge in political salience from the end of 2017 fundamentally altered the government's approach to the taxation of multinationals. This section shows that the critical rise in salience – measured by the growing number of media articles focused on taxing tech multinationals, and of references to the issue by political figures – elevated the issue to a major policy priority. This surge in salience coincided with the successful advancement of tax reforms during the 2017-2019 period. Under increasing political pressure, governments shifted their focus from pursuing long-term international agreements to prioritising shorter-term domestic solutions. This body of evidence is significant in boosting confidence in the claim that salience mattered for policy change to happen.

2.2.a. Issue Salience Was a Fertiliser for Solutions to Grow

The Google Case: A First Turning-Point in July 2017

The failed attempt by the French tax authority to sue Google in 2017 served as a key catalyst for the surge in public attention around the challenge of taxing Big Tech. This research uses media coverage as a proxy for the rising salience of the issue. As Regan and Kneafsey (2020) argue, media not only reflects but also shapes public concern: it directly influences citizens' attitudes.

As a reminder, a search on Lexis Nexis for the term 'Big Tech Taxation' reveals a clear pattern: 23 articles were published in 2016, rising to 95 in 2017²⁵⁵. This marked the beginning of a sharp and sustained increase in the political salience of the issue.

²⁵⁵ see LexisNexis results in Introduction, p58-59.

Interestingly, the focus of media coverage also began to shift. In earlier years, most of the debate centred around a so-called ‘Google tax’. In 2016, more articles were found under the term ‘Google tax’ than under the term ‘Big Tech tax’ – this changed in 2017. The number of publications under the term ‘Google tax’ went down in 2017, going from 51 publications in 2016 to 19 in 2017, while broader language around Big Tech took over. New policy proposals were soon referred to as ‘digital services taxes’ or ‘GAFAM Tax’, invoking not just Google, but also Alphabet, Facebook, Amazon and Microsoft.

Much of the 2017 coverage focused on three key developments: the Google case, public revelations about the digital platform Airbnb’s tax affairs, and the European Digital Summit in Tallin.

In July 2017, the French tax authority lost its long-running legal battle with Google²⁵⁶. The case centred on whether Google had improperly shifted profits from France to its European headquarter in low-tax Ireland. French Treasury officials argued that because Google had significant operations and staff in France, revenue derived from those activities should be taxed locally. Google contended that its French offices were simply marketing and support branches, while sales and contracts were processed through Ireland. The court sided with Google, ruling that – under existing law – no rules have been broken, and the revenue in question was not taxable in France.

The ruling, after nearly a decade of negotiations, exposed the limitations of the international tax framework when applied to digital multinationals. It triggered a strategic shift within the French Treasury. Civil servants and tax experts began to focus less on compliance under current rules and more on designing new tax laws, even at the national level if international reforms moved too slowly.

As Emmanuel Moulin, Le Maire’s former chief of staff, summarised²⁵⁷:

‘Previous politicians were aware of the situation (of profit shifting from multinational companies), but it was difficult to act given existing tax conventions, and one thing that changes in 2017 is the rise of these companies, becoming more dominant and profitable, and then losing the Google case, which made it clear that we needed new rules’.

Another senior Treasury official, Eleonore Peyrat, also acknowledged that the ruling sent ‘a shock wave’ through government circles and was ‘the main turning-point for deciding to switch strategy and

²⁵⁶ Tribunal Administratif de Paris, *La société irlandaise Google Ireland Limited (GIL) n’est pas imposable en France sur la période de 2005 à 2010*, Tribunal administratif de Paris, 12 July 2017.

²⁵⁷ interview 24; also ‘The Silicon Six and Their \$100 Billion Global Tax Gap’, *Fair Tax Mark*, December 2019, pp.12–13, offers an overview of the growing market share and capitalisations of Big Tech.

focus on reforming the tax book'²⁵⁸. This evidence lends weight to the epistemic community theory, suggesting that expert policymakers decided alone to change strategy after the Google case, and controlled the technical framing of the policy.

Still, the evidence also points to saliency – and media coverage in particular – as the key force accelerating government action. The press followed the case closely, and officials were repeatedly asked for updates in the media and during parliamentary debates. The rebuttal of the case led to a surge of attention on the question of how to tax multinationals. Following the court decision, Budget Minister Gérald Darmanin gave an interview to *Les Echos* confirming the authority's decision to appeal and suggesting a possible out-of-court settlement²⁵⁹:

'It is better to have a good settlement with Google than a bad court case'.

This marked a notable shift: only a year earlier, in February 2016, the Finance Minister Michel Sapin had ruled out the idea of settling, saying²⁶⁰:

'The tax authority does not negotiate taxation – there are clear rules'.

The press widely covered the reversal, with the daily *Le Parisien* calling it 'a statement of failure'²⁶¹.

Public discontent grew further in August 2017 when European Commissioner Pierre Moscovici called Airbnb's tax contribution in France 'shocking'²⁶². Reporting by the French newspaper *Le Parisien* revealed that the home rental platform had paid less than €100,000 in taxes, despite having more than 10 million users in the country²⁶³:

'Airbnb has the right to operate in France. But we have the right to demand from Airbnb and all the other digital platforms a fair contribution to the French treasury', Finance Minister Bruno Le Maire told the national channel *France 24*.

²⁵⁸ interview 23.

²⁵⁹ 'Gérald Darmanin : il vaut mieux un bon accord avec Google qu'un mauvais procès', *Les Echos*, 24 July 2017.

²⁶⁰ 'Fiscalité : la France ne veut pas négocier avec Google', *Les Echos*, 2 February 2016.

²⁶¹ 'Optimisation fiscale : pourquoi la France change de stratégie face à Google', *Le Parisien*, 25 July 2017.

²⁶² 'Bruno Le Maire juge 'inacceptable' la situation fiscale d'Airbnb', *La Croix*, 11 August 2017.

²⁶³ 'Airbnb: à Paris, les amendes infligées aux loueurs de meublés touristiques explosent', *Le Parisien*, 11 August 2017 ; 'France says to target Airbnb "unacceptable" tax regime', *France 24*, 9 August 2017.

Le Maire's public interventions, widely reported in the press, coincided with mounting pressure from parliament²⁶⁴. In response to questions in the National Assembly, he acknowledged that OECD and EU-level initiatives were ongoing – but too slow²⁶⁵:

‘An initiative is in progress at the OECD, and another one has been launched at the European level, but it takes too long and is too complicated. We want to go faster and to obtain concrete results quickly’.

He announced a new push at the EU level. ‘With the Prime Minister and the President, we will launch a new initiative at the European level to obtain that all digital platforms and tech giants are taxed, whether it is Google, Amazon or Facebook’, he added in his speech in Parliament.

That opportunity came just weeks later, at the bi-annual European Digital Summit in Tallin, Estonia, on September 15-16 2017. The event aimed to position Europe as a global leader in digital innovation. It aimed to be ‘a platform for launching high-level discussions on plans for digital innovation enabling Europe to stay ahead of the technological game and be a digital leader in the global world in the years to come’²⁶⁶.

The evidence above indicates that the surge in political saliency, with both media coverage and public interventions by political figures, created strong incentives for elected officials to act swiftly. Taken together, this body of evidence supports the validity of the research theory, which emphasises the influence of saliency in shaping policy outcomes.

Ahead of the summit, French Finance Minister Bruno Le Maire and German Finance Minister Wolfgang Schäuble sent a joint letter to the European Commission outlining a digital tax proposal. The letter was widely relayed in the French and EU media, such as by the French daily newspaper *Le Parisien*²⁶⁷. *IFC Media*, a EU-wide news channel dedicated to finance and wealth management news, also described it as a ‘political storm triggered by Le Maire’²⁶⁸.

Le Maire's team acknowledged that the timing was strategic. His advisors were aware of new media attention in the case and the momentum that it would bring to the tax reform process. They told reporters during the European summit²⁶⁹:

²⁶⁴ ‘Airbnb : une situation fiscale ‘inacceptable’ pour Bruno Le Maire’, *Les Echos*, 9 August 2017 ; Bruno Le Maire juge ‘inacceptable’ la situation fiscale d’Airbnb’, *La Croix*, 11 August 2017.

²⁶⁵ Assemblée nationale, 15^{ème} législature, Question n°89, 10 August 2017, p2411.

²⁶⁶ European Council of the European Union, Tallinn Digital Summit, 29 September 2017.

²⁶⁷ ‘Le plan français pour taxer Google’, *Le Parisien*, 9 September 2017.

²⁶⁸ ‘Estonia welcomes chance to steer in EU digital tax storm’, *IFC*, 16 August 2017.

²⁶⁹ ‘Taxation des Gafa : l’Irlande et le Luxembourg font barrage’, *Les Echos*, 29 September 2017.

‘We can induce changes by relying on the new public awareness around the issue’.

The final political communiqué at the end of the Tallin summit, co-signed by four key European finance ministers, including France, called for ‘a fair and efficient tax system in the EU for the digital single market’²⁷⁰. It tasked the European Commission with designing a new tax on digital companies’ turnover in Europe.

That same month, Commission President Jean-Claude Juncker included the issue in his annual State of the Union address, in September 2017²⁷¹.

In the words of the OECD’s tax director, Pascal Saint-Amans²⁷²:

‘Countries (want to) move forward because of domestic political pressure’.

Following the Tallinn summit, the European Commission issued a communication to the European Parliament and Council on advancing ‘a fair and efficient tax system in the European Union for the Digital Single Market’²⁷³. In response, the European Council pledged to ensure ‘an effective and fair taxation system fit for the digital era’, where ‘all companies pay their fair share of taxes’²⁷⁴.

In December 2017, the Council called for further exploration of a new ‘tax nexus’ in the form of a virtual permanent establishment. This would allow countries where multinationals operate – not just where they are physically headquartered – to claim taxing rights. It also considered broader reforms to profit attribution rules, which historically rely on a company’s physical presence. In its conclusion, the Council echoed earlier European-level proposals on ‘minimum economic substance’ and ‘virtual permanent establishment’, stating²⁷⁵:

‘Where a business is performing significant activities in a jurisdiction, its absence of physical presence should not *per se* prevent it from being subject to tax on its profits generated in that jurisdiction, provided an appropriate nexus reflecting value creation is used’.

²⁷⁰ Political statement: joint initiative on the taxation of companies operating in the digital economy, submitted by Germany, France, Italy and Spain to the Estonian Presidency of the Council in September 2017.

²⁷¹ European Commission, State of the Union 2017, Letter of intent to President Antonio Tajani and to Prime Minister Jüri Ratas, 13 September 2017.

²⁷² ‘Bitter divisions undermine Europe’s digital tax plans’, *Politico*, 27 September 2017.

²⁷³ Council of the European Union, Communication from the Commission to the European Parliament and the Council, A Fair and Efficient Tax System in the European Union for the Digital Single Market, 12429/17 FISC 197, 21 September 2017.

²⁷⁴ European Council, Meeting Conclusions, 19 October 2017 (doc. EUCO 14/17), p8.

²⁷⁵ European Council, Responding to the challenges of taxation of profits of the digital economy, Council conclusions, 15445/17 FISC 346 Ecofin 1092, 5 December 2017, p4.

What is important to highlight here is the role of salience in driving these developments. The findings indicate that rising political salience – sparked by high-profile cases and sustained media coverage – motivated governments to pursue rapid, unilateral solutions. Given the typically slow pace of international tax negotiations, due to the complexity and multiplicity of stakeholders involved, national and EU leaders sought interim measures to meet public expectations and offer a prompt response.

Valdis Dombrovskis, Vice-President for the Euro and Social Dialogue, explained in a press release accompanying the EU's digital services tax proposal²⁷⁶:

‘We would prefer rules agreed at the global level, including at the OECD. But the amount of profits currently going untaxed is unacceptable. We need to urgently bring our tax rules into the 21st century’

In September 2018, during ongoing negotiations over the EU digital services tax, French President Emmanuel Macron also highlighted the political nature of the reform²⁷⁷:

‘I have two priorities: continuing to improve the attractiveness of the country for foreign investment, via Choose France, and second, ensuring contributions to the common good, and that has to be done through, in part, the taxation of all companies including the GAFA. Member-states who oppose the tax will have to explain it to their constituents. (The growth of Big Tech) is not about innovation, its competitiveness comes from not paying tax, and that I will not be able to explain to my constituents’.

Concerns about market distortions were not new. As early as 2012, during a French parliamentary roundtable on the possible creation of a Google tax, one participant noted²⁷⁸:

‘If this fiscal advantage remains, distributors (eg online marketplaces, streaming platforms...) will be able to gain significantly more market share’.

In this light, the digital services tax can be understood as a provisional measure, designed to respond to political pressure until a more comprehensive international solution could be agreed.

Thomas Mercey, a Paris-based tax expert, argued²⁷⁹:

²⁷⁶ European Commission, *Digital Taxation: Commission proposes new measures to ensure that all companies pay their fair tax in the EU*, Press release, 21 March 2018.

²⁷⁷ ‘Taxation des Gafa : l’Allemagne sur le reculoir’, *Les Echos*, 6 September 2018.

²⁷⁸ Sénat, *Rapport d’information ‘Médias et nouvelles technologies : actes de la table ronde du 26 janvier 2012 sur la fiscalité du numérique*, 30 mai 2012, p11.

²⁷⁹ ‘Inventivité fiscale: les (demi) surprises de l’avant projet de loi de ‘taxe Gafa’’, *L’Opinion*, 13 February 2019.

‘A solution has to be reached at the international level, by the OECD or at least at the European Commission. This (the digital services tax) is a temporary plaster before something better comes to us’.

Taken together, this evidence underscores the power of political saliency in shaping tax policy. It supports the explanatory value of the issue intrusion literature, which argues that sudden shifts in public and media attention can disrupt policy inertia and accelerate reform.

The Yellow Vests. Autumn 2018: A Second Trigger for Political Saliency

The onset of the Yellow Vests movement in Autumn 2018 marked another significant intensification of political saliency around the issue of taxing digital multinationals. Emmanuel Moulin, the primary adviser to the French finance Minister as his Chief of Staff, remarked²⁸⁰:

‘It was an important factor for speeding up the policy process’,

Anton Maria Battesti, Public Policy Manager for Meta in France, also recalled²⁸¹:

‘After the yellow vests protest, there was a demand by the public to make the tax system fairer, and stories on the GAFA came up to the frontpage, it became a political problem’.

The Yellow Vests movement began as a protest against a planned increase in the national fuel tax but quickly evolved into a broader uprising over social and fiscal justice. French sociologist Alexis Spire, an expert in inequality and fiscal history, dubbed it ‘the first fiscal anger 2.0’²⁸².

Notably, the NGO Attac had staged an earlier protest in an Apple store, in Marseille in Autumn 2017²⁸³, but the action attracted limited public attention and received no governmental response.

A year later, however, amid the Yellow Vests protests that erupted in November 2018, the issue of taxing tech multinationals took on new symbolic and political weight. Protesters began explicitly

²⁸⁰ interview 24 .

²⁸¹ interview 18.

²⁸² Spire, A. (2018), *Résistances à l’impôt, attachement à l’État. Enquête sur les contribuables français*, Editions du Seuil; ‘Les gilets jaunes, la première colère fiscale 2.0’, *L’Express*, 28 November 2018.

²⁸³ ‘Apple ne pourra pas interdire à Attac l’accès à ses magasins’, *Le Monde*, 23 February 2018.

targeting Big Tech. Outside a newly opened Apple store in Paris, members of Attac rallied again, chanting²⁸⁴:

‘Apple, pay your taxes!’.

By December, Yellow Vests demonstrators had occupied an Amazon distribution centre, denouncing the company’s tax practices

‘Amazon, one of the GAFA companies, sells and distributes in France but still pays no tax’, called out yellow vests protesters²⁸⁵.

Tax justice activists seized the political momentum created by the Yellow Vests to advance their demands. The French Movement for a Minimum Income (MFRB) published an editorial in the Paris-based newspaper *Libération*, urging Yellow Vests representatives to include digital tax reform in their negotiation platform during General Meetings with President Macron²⁸⁶.

Quentin Parrinello, Spokesperson for Oxfam, recalled²⁸⁷:

‘Taxing the GAFA became one of the main priorities emerging from the movement’.

MP Eric Bothorel also analysed that the taxation of Big Tech ‘became a totem for the Yellow Vests’²⁸⁸.

The government’s final report from its consultations with Yellow Vests protestors reflected this public sentiment. In the section on reforming fiscal policy, one of the subheadings called to ‘make taxation fairer and more efficient’. Amongst the key action points discussed and endorsed by participants, five of them were proposals that related to public demands for tax reforms on Big Tech and other large multinationals²⁸⁹:

- Expand the corporate tax to include ‘companies that are present in France but are not currently taxed in France’.
- ‘Taxing the GAFA’.
- ‘Make corporation tax fairer’.

²⁸⁴ ‘Apple paye tes impôts !’, *Le Monde*, 18 November 2018.

²⁸⁵ ‘Des gilets jaunes ont-ils pris le dépôt d’Amazon à Toulouse pour dénoncer l’évasion fiscale du groupe ?’, *Libération*, 13 December 2018.

²⁸⁶ ‘Gilets jaunes : un revenu de base s’impose’, *Libération*, 15 December 2018.

²⁸⁷ interview 41.

²⁸⁸ ‘Taxe GAFA : Un totem pour les gilets jaunes’, *Ouest France*, 4 March 2019.

²⁸⁹ Le Grand Débat National (April 2019), *Mission du Grand débat national*, Traitement des données issues du grand débat national ‘La fiscalité des dépenses publiques’, p21, p25.

- ‘Control further the tax operations of the largest companies’.
- ‘Adopt a firmer stance against tax avoidance’

These developments underscore how the Yellow Vests movement transformed the digital tax debate from a largely expert-led initiative into a visible and urgent political issue with strong popular backing. This strengthens confidence in the claim that the surge in political salience was a key factor in elevating tax reforms to a governmental priority.

The Passing of The Digital Services Tax

In January 2019, French Finance Minister Bruno Le Maire proposed a domestic digital services tax (DST)²⁹⁰. Similar to the European tax proposal of 2018, Le Maire’s domestic DST aimed to impose a 3% tax rate on the turnover of large multinationals.

The tax applied to companies with global revenue from taxable services of at least €750 million annually, and at least €25 million in annual revenue generated in France. It targeted businesses providing²⁹¹:

‘Digital services for which the participation of users is vital for the value of the service, such as ... marketplaces offering the possibility for financial transactions, for instance Amazon Marketplace, Uber or Airbnb ... targeted advertising services, including advertising platforms, such as Google or Criteo, and the selling of users’ data for advertising purposes’.

The tax was designed to capture ‘gross income derived from certain digital services for which the French tax authority identifies user participation as essential in creating value. Taxable services include targeted online advertising (including the sale of user data) and online digital intermediation services (i.e. platforms and marketplaces)’²⁹².

One of the most striking indicators of the impact of political salience on the DST is the accelerated timeline. Initially suggested in September 2018, before the Yellow Vests movement began, the DST was expected to be implemented within a two-year timeframe²⁹³. However, the political urgency generated by the protests expedited the process. The proposal was introduced by Le Maire in January

²⁹⁰ ‘La taxe GAFA se trompe-t-elle de cibles ?’, *Radiofrance*, 2 January 2019.

²⁹¹ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, pp31-32.

²⁹² ‘France issues comprehensive draft guidance on digital services tax’, EY Global, 13 April 2020.

²⁹³ Assemblée nationale, Rapport d’information, en conclusion des travaux d’une mission d’information, relative à l’évasion fiscale internationale des entreprises, n°1236, 12 September 2018, p202.

2019²⁹⁴ and presented to Parliament in March 2019²⁹⁵. The legislative process was significantly expedited: the proposal was debated once in both the upper and lower chambers²⁹⁶. Relatively few debates were held in Parliament, with both the majority and opposition supporting the tax²⁹⁷. The tax was passed into law in July 2019²⁹⁸.

Prime Minister Edouard Philippe noted in December 2018²⁹⁹:

The DST was ‘one of the consequences, as unexpected as symbolic, of the Yellow Vests’.

According to senior tax lawyer and professor David Gutmann, ‘Tax is a passionate subject for the French’, which likely played a role in the rapid approval of the DST under a high salience environment³⁰⁰.

The timing also coincided with the European Parliament elections, scheduled for May 2019, which further motivated the government to respond to public demands swiftly. As OECD Tax Director Pascal Saint-Amans noted:

‘The European elections were the first real test for President Macron. His digital agenda became one of the government’s top priorities, and Le Maire focused on how to tax digital giants in this context of electoral campaign’.

Eleonore Peyrat, a senior policy advisor to the Finance Minister confirmed that the upcoming elections increased the pressure on the government to respond to public demand³⁰¹:

‘It (the taxation of Big Tech) is close to everyone’s concerns, to the media and the people, there was a real desire for change amongst the public, and with the incoming elections a real pressure for the government to act upon it’.

These findings show that the DST was put forward at a time of high salience. In line with the research theory, tax reforms were made possible only if the public cared enough about them.

²⁹⁴ ‘La taxe GAFA se trompe-t-elle de cibles ?’, *Radiofrance*, 2 January 2019

²⁹⁵ Assemblée nationale, Projet de loi portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1737, 6 March 2019.

²⁹⁶ the ‘procédure accélérée’ is a fastened legislative process in which the editing and back-and-forth of a policy proposal between the two chambers of parliament, the national assembly and the senate, is limited to only one reading.

²⁹⁷ Assemblée nationale, Rapport, n°2080 and Sénat, Rapport n°615, 26 June 2019.

²⁹⁸ 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*, 24 July 2019.

²⁹⁹ ‘Les incertitudes de la taxe franco-française sur les GAFA’, *Le Monde*, 18 December 2018.

³⁰⁰ Gutmann, D. (November 2014), Regard sur la jurisprudence fiscale du Conseil constitutionnel, *Pouvoirs*, Issue 151, pp129-140.

³⁰¹ interview 23.

Furthermore, evidence of political saliency influencing the design of the DST is also found in the lack of detailed solutions to the practical challenges it posed, such as how to verify the revenue data provided by multinationals.

Daniel Gutmann, a senior tax lawyer who advised the government in drafting the policy recalled the power of politics in the passing of the DST³⁰²:

‘En Marche was perfectly conscious that the tax was legally risky, towards the Americans and digital companies, that the risk for the tax was to be economically inefficient, and that in practice it might prove to be non-compulsory, based on the companies’ own willingness to comply and report their turnovers made in France ... Yet we had to go, it was the way the wind was blowing’.

Similarly, Le Maire acknowledged in an interview with *Le Journal du Dimanche* that he preferred a tax that could be quickly implemented, even if imperfect, over waiting for ‘endless international negotiations’ – ‘we will improve it later’, he stated³⁰³.

Pascal Saint-Amans also described the French DST as ‘a last resort that we can be content with temporarily, in countries in which political pressure is particularly strong’³⁰⁴.

This is a key body of evidence in support of the claim that saliency mattered: both Le Maire and Saint-Amans acknowledged the need for a short-term solution to respond to political pressure for tax reforms.

Last but not least, the evidence highlights that debates over the taxation of large technology companies struck a particular chord. The rapid rise of tech multinationals, often coinciding with economic austerity for domestic companies, created a tension that fuelled the political debate. Big Tech were perceived as flourishing without contributing fairly to national tax systems. It created tension between them and national actors.

Julien Pellefigue, a partner and economist at Deloitte recalled the beginning of the tax discussions in those terms³⁰⁵:

³⁰² interview 8.

³⁰³ ‘Fiscalité des Gafa : Bruno Le Maire annonce une directive européenne à venir’, *Le Journal Du Dimanche*, 4 March 2018.

³⁰⁴ ‘Taxation des Gafa: l’interminable bataille’, *Les Echos*, 7 March 2018.

³⁰⁵ interview 7.

‘You know the IMF’s elephant curve, highlighting the growing middle-class discontent, with public services massively decreasing, and then you have Apple’s story in the *New York Times* in 2011 and people realise that they pay taxes and the big tech do not, so it quickly becomes a very political topic’.

This evidence reinforces the claim that taxing Big Tech was a politically advantageous issue. The digital services tax was enacted at a time when targeting tech multinationals through tax reform resonated strongly with the issues covered in the media and offered political gains. It supports the research theory according to which political salience was a critical factor driving policy change.

Additionally, the focus on foreign tech companies provided fertile ground for politicians to direct public frustration. Achim Pross, Deputy Director in the OECD Tax Unit, acknowledged that Big Tech were particularly salient actors for the French public³⁰⁶:

‘It’s the fear of globalisation and the pace of change. Especially in Europe, sometimes 60-70 percent of the population think that the future will be worse, and then these big companies are all foreign. So it’s also about a narrative that taps into that wider uncertainty, it’s about finding a scapegoat, creating a sense that taxing them is solving the problem because they’re the bad people, and the French electorate, like in many other countries, by and large buys it’.

As former French Finance Minister Eric Woerth pointed out³⁰⁷:

‘Big Tech pay little tax and are flourishing, and being increasingly profitable and powerful, so there is a political element to the taxation of multinationals, but Big Tech in particular, from the beginning’.

The French deputy Eric Coquerel also encouraged in Parliament:³⁰⁸

‘We wish that concrete measures are taken so that Amazon doesn’t unfairly compete with French local bookshops that face significant difficulties’.

In other words, the growing public awareness of tax loopholes, in the context of austerity policies following the financial crisis, amplified the issue of tax loopholes.

³⁰⁶ interview 46.

³⁰⁷ interview 26.

³⁰⁸ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p207.

Similarly, Anton Maria Battesti, Public Policy Manager for Meta in France, observed³⁰⁹:

Big Tech ‘were perceived as new actors which came to disrupt the established order’.

Tax activist Tove Ryding added³¹⁰:

Tech multinationals ‘have become one of the most commonly used examples of a corporate tax dodger’.

Thus, this evidence bolsters confidence in the salience-based theory of policy-making, showing that political salience around taxing Big Tech created the conditions for rapid legislative action. The next section will delve deeper into the issue intrusion theory, examining how specific political intermediaries were critical in driving political salience and maintaining focus on particular issues, thereby shaping policy outcomes.

2.2.b. Political Intermediaries Initiated and Accelerated Political Salience

Attention-based scholarship underscores the critical role of intermediary actors in shaping public focus on specific policy issues. These actors – by virtue of their visibility, communication skills, and access to influential platforms – have the capacity to reorient and amplify attention towards previously overlooked issues, and sustain salience throughout the policy process.

Building on this scholarship, the research defines a political intermediary as any policy actor, whether an individual or a media entity, whose public platform was substantial enough to redirect and amplify attention towards the tax issue under study, previously outside the mainstream political radar, and maintain focus until the passing of tax reforms. These actors are a key component of the research theory, demonstrating that salience is a cultivated construction rather than an exogenous shock.

This research posits that political entrepreneurs – particularly those with significant public visibility and political influence – were instrumental in elevating and sustaining the salience of taxing Big Tech. These actors did not merely respond to public sentiment; rather, they helped shape it, acting as accelerants of attention and facilitators of policy change.

³⁰⁹ interview 12.

³¹⁰ ‘The test of Apple’s different political thinking’, *Politico*, 4 November 2015.

For this hypothesis to be confirmed, the findings must demonstrate that the surge in political saliency was not merely bottom-up. Instead, political intermediaries – through strategic interventions – must be shown to have steered and intensified focus on the taxation of multinationals, especially digital giants.

Previous studies support this framing. Forstater and Christensen (2017), in their work on tax reforms, emphasise the role of ‘political champions’ in driving policy debates. Similarly, Baumgartner and Jones (2005) illustrate how political figures can thrust issues previously outside mainstream discourse onto the policy agenda. More recently, Culpepper and Lee (2022)³¹¹ examined the case of U.S. Senator Carl Levin, who successfully ‘marshalled the force of public opinion’ to support stringent financial regulation.

A clear example of such political entrepreneurship is Bruno Le Maire, appointed French Finance Minister in May 2017³¹². Le Maire quickly emerged as a key intermediary in elevating the issue of digital taxation to a prominent political platform. Not only was he responsive to growing public concern, but he actively shaped and sustained attention on the issue. His interventions helped carry the digital tax agenda forward at both the domestic and European levels.

Le Maire’s commitment to digital tax reform was catalysed by the Google tax case in the summer of 2017, which underscored the inadequacy of the existing tax framework in dealing with tech multinationals³¹³. The ruling pushed Le Maire to make the question of how to tax tech multinationals one of his top priorities.

According to Eleonore Peyrat, former senior policy advisor to the Finance Minister³¹⁴:

‘(Le Maire) knew it was popular and possible to do something about (the taxation of tech multinationals), so he focused a lot of efforts on it’.

Le Maire’s team identified the issue as a ‘*deliverable*’, in the Frenghish idiom used in policy circles to identify a policy goal that was both actionable and public resonant – ‘There is something here’, he told his advisers³¹⁵.

³¹¹ Culpepper, P. and Lee, T. (2022), The Art of the Shitty Deal: Media Frames and Public Opinion on Financial Regulation in the United States, *Socio-Economic Review*, Vol.20, Issue 2, pp635-657.

³¹² Minister of the Economy, Finance and of the Industrial and Digital Sovereignty; the new title adding ‘sovereignty’ to the old label Minister of the Economy, Industry and Digital.

³¹³ Tribunal Administratif de Paris, [Société Google Ireland Limited](#), n1505113/1-1 et 1505178/1-1, 12 juillet 2017.

³¹⁴ interview 23.

³¹⁵ ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

In August 2017, during a parliamentary Q&A session prior to the Tallin Digital Summit, Le Maire condemned the stark discrepancy between the vast revenues generated by digital platforms in France and their minimal tax contributions³¹⁶:

‘Digital platforms make tens of millions in sales, and the Treasury gets only a tens of thousands’.

This statement prefigured France’s more aggressive push at the European level. Following Le Maire’s intervention at the European Digital Summit in Tallin in September 2017 – where he raised the possibility of a European digital services tax – the *International Tax Review* described the event as a ‘political storm triggered by Le Maire’, and the Minister’s role in breaking the inertia around digital taxation with a new ‘scant attention (given to) finding taxation solutions in the digital economy’³¹⁷.

Le Maire himself acknowledged the necessity of political will³¹⁸:

‘It is all nice and good, the reports, the expert-level and diplomatic meetings, but I have been there, I know how it works; nothing works without a strong political pressure. Until an international agreement is reached, I will lead the fight in Europe’.

Eleonore Peyrat, former senior policy advisor in the French Treasury, reinforced this account, stating³¹⁹:

‘Things were slowing down at the European level for a common solution, and the Minister went to the European Parliament, it increased media attention and political pressure’.

Le Maire also played an active role in high-level negotiations with his European Union counterparts, advocating for a coordinated tax approach behind closed doors as well as from his public platform. Benjamin Angel, Director for Tax Policy at the European Commission’s Taxation and Customs Union department (DG TAXUD) confirmed the impact of the French Finance Minister, recalling³²⁰:

‘When France was holding the presidency of the Council, Le Maire imposed a very fast pace and we tried to keep up with it’.

³¹⁶ ‘Airbnb : une situation fiscale ‘inacceptable’ pour Bruno Le Maire’, *Les Echos*, 9 August 2017; ‘Airbnb faces EU clamp down’, *The Guardian*, 10 August 2017.

³¹⁷ ‘Estonia welcomes chance to steer in EU digital tax storm’, *IFC*, 16 August 2017.

³¹⁸ ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

³¹⁹ interview 23.

³²⁰ interview 18.

These examples demonstrate that political entrepreneurs like Bruno Le Maire were not passive respondents to public dissatisfaction. Instead, they actively constructed the narrative, provided political framing, and sustained media attention – critical elements that raised the saliency of the issue and pushed for legislative action. Le Maire’s influence exemplifies the broader theory that political intermediaries are essential for translating diffuse public grievances into focused political outcomes.

By December 2018, as negotiations on a European digital services tax were faltering, Le Maire continued to rally public support through direct and compelling messaging.

In a letter addressed to NGOs and federations across Europe, aiming to build momentum for the EU digital tax proposal, he wrote³²¹:

‘When the largest digital multinationals don’t pay their fair share of tax, the rest of us end up paying more’.

During the March 2018 meeting of EU finance ministers in Sofia, he urged his counterparts to endorse the proposal, prompting one official to ask, ‘Does he think he is Villepin at the UN?’³²² – a reference to Le Maire’s former superior, Prime Minister Dominique de Villepin, and his famous 2003 speech against the Iraq War at the UN Security Council.

The comparison underscored the rhetorical ambition that Le Maire brought to the tax debate. John Fitzgerald, former member of the Commission of the Central Bank of Ireland, affirmed:

‘France has fought body and soul for international tax reform’³²³.

As the EU proposal lost steam, Le Maire seized the policy window opened by the Yellow Vests protest in late 2018 to push the digital tax agenda on the domestic front.

‘Our fellow citizens would not understand our giving up’, he told the press in January 2019 while unveiling the French digital services tax proposal³²⁴.

Despite modest revenue expectations – estimated at €300-500 millions, according to Julien Pellefigue, a partner and economist at Deloitte³²⁵ – Le Maire’s framing demonstrated his political capacity to align

³²¹ ‘The global hunt to tax Big Tech’, *Financial Times*, 2 November 2018.

³²² ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

³²³ interview 30; ‘Ireland caught in a squeeze on corporation tax reform’, *Irish Times*, 11 June 2021.

³²⁴ ‘Comment nous allons taxer les Gafa’, *Le Journal du dimanche*, 20 January 2019.

³²⁵ interview 7.

public expectations with symbolic yet visible policy responses. His rhetorical alignment between policy proposals and public sentiment illustrates how political entrepreneurs can ‘surf’ on waves of salience to push through reform.

Le Maire reinforced this strategy in parliament, linking the tax to tangible public benefits: ‘all the nurseries, schools and more widely public services’ that the tax would help fund. He also connected it to the government’s broader economic recovery plan³²⁶.

His role did not go unnoticed in the business world. At a 2019 international business conference, a tech lobbyist commented³²⁷:

‘France is 10% of our market and 100% of our trouble, we did not believe Le Maire would persist’.

Anton Maria Battesti, Public Policy Manager for Meta in France, remarked³²⁸:

‘Bruno le Maire is a good politician, he knows how to seize an opportunity, he saw one to deliver something in sync with the political momentum of the country, and so he put his digital services tax on the table, which brings very little revenue ... but it became a political topic’.

The media also took note of his relentless advocacy. A Brussels-based journalist familiar with these policy developments observed³²⁹:

‘At every G7, G8 or G20, the topic would be brought to the table by Le Maire ... The French, and Le Maire especially, gave the absolute most, it’s like throwing spaghetti at the wall, you hope something will stick, it’s the way they negotiated in Brussels at the time’.

These accounts reinforce the theoretical claim that political entrepreneurs like Bruno Le Maire were instrumental in creating and maintaining political salience around digital taxation. Their ability to mobilise attention, frame issues in publicly resonant ways, and persistently press for reform underscores their importance as intermediaries between public sentiment and policy change.

³²⁶ Assemblée Nationale, *Rapport sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés*, n°1737, 3 April 2019, p82.

³²⁷ Giuseppe de Martinon, Association des services internet communautaires, in ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

³²⁸ interview 12.

³²⁹ interview 36.

In addition to political actors, media organisation themselves played a critical role as political intermediaries. This research focuses on legacy media – long-established news outlets – which scholars identify as central information gatekeepers has looked at how media actors can play the role of political entrepreneurs (e.g. Soroka, 2012; Jones and Baumgartner’s theory of information processing, 2005; Jones and Wolfe’s detection theory, 2010).

Three main mechanisms underpin the media’s role as a political actor. First, its discursive power enables it to create and sustain ‘media storm’, which can rapidly heighten issue saliency³³⁰. Birkland’s (1997) theory of ‘potential focusing events’ stressed that media coverage is often the decisive factor in converting background issues into agenda-setting crises. Second, through framing, media outlets shape how the public and policymakers understand an issue, influencing the terms of political debate (Entman, 1993). Third, media priming determines which issues voters and politicians prioritise, by choosing which stories to highlight and repeat.

For the media to be understood as a political entrepreneur, evidence must show that journalists played a catalytic role in advancing the reform process. While a Google Trends analysis reveals that peak media coverage occurred during the summer 2019 – coinciding with the passing of the French digital tax rather than preceding it – media influence was also evident earlier in the process³³¹.

In particular, a series of high-profile leaks exposed international tax loopholes and helped elevate the issue onto the political stage. Saliency generated further saliency. Following the actions of whistleblower Raphael Halet and journalist Antoine Deltour, French and German legacy media published stories that detailed the extent of tax avoidance by multinational corporations in Europe³³².

The LuxLeaks revelations were facilitated by the International Consortium of Investigative Journalists (ICIJ). The latter, consisting of close to 300 journalists, then worked over several years together to understand and cross-check accounting operations. With the 2016 Panama Papers and 2017 Paradise Papers, the ICIJ later uncovered more than 12 million documents that further illuminated the offshore tax practices of global elites.

³³⁰ Jungherr et al. (2019), Discursive Power in Contemporary Media Systems: A Comparative Framework, *The International Journal of Press/Politics*, Vol.24, Issue 4, pp404–425; Walgrave et al. (2017), The nonlinear effect of information on political attention: media storms and US congressional hearings, *Political Communication*, Vol.34, Issue 4, pp548–570; Boydston et al. (2014), The importance of attention diversity and how to measure it. *Policy Studies Journal*, Vol.42, Issue 2, pp173–196, defined a ‘media storm’ based on three criteria: there needs to be an explosive increase in attention from one week to the next (distinctiveness), with front-page stories (prominence) sustained over at least a week (frequency).

³³¹ Google search, ‘Taxe Gafa’, accessed on 17 May 2024.

³³² the Consortium (ICIJ) consists of close to 300 journalists, who worked together to understand and cross-check the accounting operations; the ICIJ is also behind the 2016 Panama Papers and 2017 Paradise Papers, which highlighted a variety of schemes allowing offshore investments to remain untaxed based on over 12 million leaked documents.

These exposés such as the LuxLeaks, Panama Papers, and Paradise Papers were critical moments for amplifying and sustaining salience over the tax debate. This sustained media coverage significantly contributed to public outrage and political mobilisation. It demonstrated the media's role not only in informing the public but also in applying pressure on policymakers to act. The issue of tax avoidance became a politically salient one. These findings strengthen the argument that journalists, alongside political entrepreneurs, were critical in driving attention and pushing the reform agenda forward.

Overall, this research affirms a salience-based explanation for policy change. The first part of this chapter offers substantial evidence that salience played a leading role in the passing of tax reforms. It shows that political entrepreneurs and legacy media were key in amplifying and channelling public concern over the taxation of multinational corporations. Through strategic framing, consistent messaging, and exploitation of political windows, these actors kept the issue alive and influential throughout the reform process.

2.3. Conclusion

In summary, the salience hypothesis suggests that policymakers are more likely to act when an issue enters the political arena, raising attention over the issue and offering political credit for politicians acting upon it. The findings in this chapter boost confidence in the leading role of political salience as a motor for change in policy-making. The eruption of salience over the taxation of multinationals – and large tech companies in particular – pushed the French government to accelerate the reform process. Tax reforms were introduced only after the question of how to tax Big Tech became a matter of ‘noisy politics’ – pushed and sustained by political entrepreneurs and legacy media.

As international negotiations proved too slow to satisfy mounting political pressure, domestic reforms emerged as the most viable route to address popular demands. In other words, once voters and their established channels of communication, such as legacy media, began to focus on the issue, tech taxation rose on the government's policy agenda and could no longer be deferred to a long-term, lengthy process. Unilateral reforms offered a more immediate response.

One way to conceptualise the distinction between long-term and short-term policy responses is through the ‘police and shield’ metaphor. Unilateral responses acted as a shield against tax avoidance, providing temporary protection until international agreements – acting as the police – could be put in place to enforce a more permanent solution.

The next chapter turns to the second component of the research theory: the role of national economic interests. It explores the structural constraints and incentives that shaped how policymakers balanced political imperatives with the need to protect critical sectors of the domestic economy.

3. Business Under High Saliency (2019-2021)

This section analyses the role of business in policymaking during periods of high saliency. It examines how the preferences of different industries influenced the French government's decision-making in the lead-up to, and aftermath of, the digital services tax. It also considers how those preferences evolved, particularly among non-tech multinationals, in light of looming retaliatory trade sanctions from the U.S. administration.

According to the interest-based theory, governments are expected to respond to the preferences of their critical national sectors. They weigh national economic interests against public pressure: the greater the opposition from key domestic industries, the less likely a government is to enact a reform.

Business preferences regarding tax reforms can be grouped into three tiers, from most to least favourable outcomes. Firms generally prefer no reform that increases their corporate tax burden (1). If a reform is unavoidable, they favour a harmonised tax regime at the international level (2) over uncoordinated domestic reforms across jurisdictions (3).

This ranking reflects the reality that large firms, including most critical national sectors, operate across borders and are thus sensitive to fragmented national-level tax policies. Large cross-border industry groups prefer a harmonised system over piecemeal national measures, which increase legal uncertainty and the risk of overlapping or duplicative taxation.

Moreover, not all business has equal weight. The interest-based hypothesis argues that governments try to spare strategically important industries when passing a reform. In other words, unilateral tax reforms were more likely to pass in countries where large technology companies had limited structural power over the domestic economy. From an interest-based perspective, it is advantageous to ringfence the scope of the reform to Big Tech if the latter are not strategically important domestic industries, rather than support a broader international tax agreement that would capture critical national sectors too.

As this chapter will reveal, the distinction between tech and non-tech sectors is central because unilateral digital services taxes affected tech and non-tech sectors differently. While Big Tech were

directly targeted by both the digital services tax and the international tax framework under negotiation, non-tech multinationals were initially affected only by the latter. This difference mattered. Non-tech sectors – initially indifferent or even supportive of unilateral reforms – shifted their stance once the risk of expanded unilateral taxation beyond the tech sector or U.S. trade retaliation became clear.

For the interest-based hypothesis to be correct, the findings must show that a tax reform was successfully passed only when it did not fundamentally conflict with the interests of strategic domestic industries. If those interests were threatened, the interest-based theory expects that governments acted cautiously, adjusting or stalling reforms to preserve domestic economic stability.

3.1. Digital Services Taxes Aimed To Assuage Public Pressure And Spare National Industries

The interest-based theory expects states to act in defense of their national economic interests. In the case of digital services taxes, it follows that governments will be more inclined to pass unilateral reforms when large technology companies hold limited economic power within the domestic economy. Conversely, the theory predicts that governments will refrain from such reforms when the interests of large tech firms are closely aligned with the state's economic agenda.

In other words, the more peripheral tech multinationals are to the national growth model, the more likely a government is to act unilaterally to tax them. Where tech giants do form part of the economic core – whether through employment, investment or integration with strategic sectors – governments are expected to avoid reforms that could put their contributions at risk. Thus, the interest-based theory anticipates that the most stringent reforms will be aimed at sectors with lower structural power in the national economy.

To validate this hypothesis, the findings must show that the French government sought to protect its economic interests while simultaneously responding to rising political pressure. This section analyses two unilateral tax initiatives: one led at the European level, and the other enacted at the national level. In both cases, France played a pivotal role – not only in shaping the content of the proposals, but in pushing them forward at moments when international tax negotiations had stalled.

After years of slow progress in closing loopholes within international tax law, the French government adopted a more assertive stance toward tech multinationals. The passing of a unilateral digital services tax marked a strategic shift, in which the state moved from negotiation to action. It can be seen as a reassertion of state power over firms operating within its jurisdiction. These reforms were not just

reactive responses to salience. They also reflected a calculated effort to minimise harm to key domestic sectors, while directing public dissatisfaction toward an industry with limited domestic entrenchment.

3.1.a. The EU Digital Services Tax Protected the Interests of European Industries.

In March 2018, the European Commission put forward two proposals for taxing the digital economy (The Proposals). These proposals followed the objective adopted by member states during the European summit in Tallinn on 21st September 2017, as described in Section 1 of this chapter. The Proposals included a short-term solution, the Digital Services Tax, and a longer-term measure, the Significant Digital Presence proposal.

In the long-term, the European Commission suggested reforming corporate tax rules to account for a new notion of ‘significant digital presence’, or virtual permanent establishment. This would mean that companies with substantial operations in a member state – measured by revenues (over €7 million per country), number of users (exceeding 100,000) or volume of online business contracts (exceeding 3,000) – would be taxed in that country, regardless of where their physical headquarters are located. The aim was to tax relevant companies on profits derived from the sale of users’ data, user-connecting services, and other digital services such as streaming subscriptions.

As an interim solution, the European Commission proposed a digital services tax targeting major digital actors not currently taxed in the EU under existing international rules. This interim tax was set at 3% on turnover from advertising revenue, applied to businesses with annual global revenue exceeding €750 million and EU revenue above €50 million. It excluded e-commerce platforms, web-browsers, and digital intermediaries – thereby focusing more on companies like Google and Facebook, and less on Apple or Amazon³³³.

The research focuses on the second of The Proposals – the digital services tax – because international tax rules focus on profit-based taxation, a turnover-based tax allowed countries to bypass existing tax treaties. These treaties stipulate that companies should be taxed on profits where their physical establishment is located. As such, the absence of explicit rules governing turnover-based taxation allowed the French government to proceed with the digital services tax while staying in compliance with European law and international agreements, argued the French Finance Minister³³⁴.

³³³ European Commission, Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence, Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services, COM(2018) 147-148 final, 2018/0072 (CNS), 21 March 2018.

³³⁴ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p103-4.

Daniel Gutmann, a tax partner at Francis Lefebvre who closely followed the policy negotiations, also rejected risks for the DST to go against European law³³⁵:

‘In EU law, according to the EU directive on VAT, a member-state cannot have a new tax which is similar to the VAT system already in place. But the digital tax works very differently from the VAT, so there was very little discussion and legal risk on this’.

However, a turnover-based tax had many disadvantages for companies falling under its scope. The lack of coordination at the international level increased the risk for multinationals to be taxed multiple times on the same income, resulting in a higher tax bill and added administrative costs to discuss and clarify their situation with several tax authorities at a time. The ambiguities of a turnover-based tax also created a risk of disputes between tax jurisdictions, as existing tax treaties generally focused on and prioritised profit-based taxation. Multinationals feared legal disputes, fiscal penalties, and inconsistent interpretations across jurisdictions.

European tech companies expressed concern about the proposal’s potential to inadvertently harm domestic innovation. Executives from 16 European tech multinationals – including Spotify and Booking.com – wrote to EU finance ministers warning them ‘not to adopt a measure which would cause material harm to economic growth and innovation, investment and employment across Europe’³³⁶. Germany’s BDI industry federation also warned EU Commissioner Pierre Moscovici that the tax proposal could cause ‘extensive collateral damage’ to German companies³³⁷.

In light of these risks, negotiations around the tax design sought to protect key national industries. European business groups lobbied against a broader definition of the tax base, with opposition most pronounced in Germany. Digital components used in German automotive manufacturing, such as connected cars, risked falling within the tax’s scope.

Joachim Lang, head of the German industrial federation (BDI) warned at the time³³⁸:

‘The tax is a unilateral and rushed action by the EU, which will bring double imposition to the companies and sanction the German industry, in the process of digital transformation of its business model’

³³⁵ interview 8.

³³⁶ ‘European tech bosses speak out against digital services tax’, *Financial Times*, 30 October 2018.

³³⁷ *Idem*

³³⁸ ‘Taxation des Gafa : l’Allemagne sur le recul’, *Les Echos*, 6 September 2018.

Officials in the European Commission and Germany's Brussels representation recalled how the German Chancellor was warned by her Treasury about the risks the tax posed to domestic industries³³⁹. In addition, Germany's industry was more vulnerable to U.S. trade retaliation than France', due to its heavier reliance on access to the U.S. market.

As a result, Germany pushed for narrowing the scope of the proposal to cover only the largest digital giants. France hoped that by securing Germany's support through this narrower scope, smaller member-states would also follow. Le Maire explained in a communiqué on January 2019³⁴⁰:

'Some member-states are still uncertain. We made a compromise with Germany in December, and I am convinced an agreement will be reached by the end of March'.

The then-European Commissioner Pierre Moscovici observed³⁴¹:

'There was an elephant in the room, Berlin was slowing down the talks by fear of US trade sanctions'

This position was echoed in media coverage and interviews conducted for this research with European officials involved in the negotiations, for instance with Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD), and a German delegate in Brussels³⁴².

This is a key piece of evidence as it shows the weight of business interests in the formation of the German government's preferences regarding a EU-wide digital services tax. It boosts confidence in the interest-based theory according to which governments are constrained by the interests of their critical industries in their policy choices.

Ireland also opposed the proposal, as it hosts the European headquarters of many major U.S. tech firms. The Irish Finance Minister Paschal Donohoe, then serving as president of the Eurogroup, played a key diplomatic role in engaging with G7 economies, especially the United States.

John Fitzgerald, former member of the Commission of the Bank of Ireland, explained³⁴³:

³³⁹ 'The global hunt to tax Big Tech', *Financial Times*, 2 November 2018; interview 19.

³⁴⁰ Bruno Le Maire, communiqué, 'Taxa Gafa : que prévoit le futur projet de loi ?', 20 January 2019.

³⁴¹ 'Taxe Gafa: Berlin force Bruxelles à voir petit', *Les Echos*, 4 December 2018.

³⁴² interviews 18, 19.

³⁴³ interview 30.

‘We were fortunate that our finance minister Donohoe was president of the Eurogroup when it came up, so he was able to push it through, he had a high level access, and in particular he had a number of discussions with Janet Yellen, who he would have never met as an Irish minister’.

The final version of the proposal reflected this opposition. Following the introduction of the European digital services tax, the French government collaborated with its European partners to reach a consensus on the scope of the measure. Since tax legislation at the European level requires unanimity, the proposal could only be adopted if all member-states agreed to it³⁴⁴.

At the Ecofin meeting in December 2018, the European Commission published an amended ‘presidency compromise text on the digital services text’ along with a ‘Franco-German joint declaration on the taxation of digital companies and minimum taxation’ were published by the European Commission³⁴⁵. These documents outlines the modifications made to the initial proposal, which had been introduced in response to business concerns regarding its original design.

Under the Austrian Presidency of the Council, a revised proposal was discussed at the Ecofin meeting on December 6th, 2018³⁴⁶. It incorporated both the presidency compromise text and the Franco-German declaration, notably excluding from the tax base revenues derived from the sale of consumer data by non-tech companies.

The scope of the measure was narrowed further to include only revenues from online advertising, thereby excluding e-commerce and online marketplace transactions. ‘I prefer to scale down our ambitions to obtain concrete results than do nothing’, argued French Finance Minister Bruno Le Maire during the Ecofin meeting.

Crucially, the evidence presented above illustrates the influence of business preferences on the final structure of tax reforms. While political saliency motivated government to pursue reform, national economic interests played a decisive role in shaping its content.

Finally, the European Parliament adopted a legislative resolution on the proposals on December 12th, 2018. It voted in favour of a Council directive laying down rules on the corporate taxation of a significant digital presence, as well as the introduction of a digital services tax³⁴⁷.

³⁴⁴ The 1986 Single European Act replaced unanimity for qualified majority voting as the general rule for the legislative process in regards to the Single Market. However, tax policy still requires unanimity – Articles 113 and 115 of the Treaty on the Functioning of the European Union (TFEU). The Lisbon Treaty (2007), however, added a ‘passerelle clause’ under which qualified majority voting could be adopted in an area that is usually run by unanimity voting – Article 48(7) of the Treaty on the European Union (TEU).

³⁴⁵ Economic and Financial Affairs Council, 4 December 2018, Consilium.Europa.EU.

³⁴⁶ ‘Taxe Gafa : Berlin forcé à voir petit’, *Les Echos*, 4 December 2018.

³⁴⁷ Corporate taxation of a significant digital presence, 2018/0072(CNS), *Legislative Observatory*, 13 December 2018.

The European Parliament also recommended linking the proposals to the ongoing efforts to establish a common consolidated corporate tax base (CCCTB) across Europe – while the digital tax focused on the largest multinationals, the CCCB initiative aimed to cover a much broader scope³⁴⁸.

In addition, the European Commission began working on transitioning from unanimity to qualified majority voting for taxation matters, challenging the status quo in which any member-state could veto new tax proposals. Tax vetoes, European Commission President Jean-Claude Juncker argued, ‘can be misused for specific national interests’³⁴⁹. ‘We need to change the unanimity rule for qualified majority voting’, echoed the French Finance Minister before the French National Assembly³⁵⁰.

The Commission’s policy paper further argued³⁵¹:

‘Member States have used sovereignty and unanimity as the basis for their arguments to protect specific national interests... Tax competition is not in itself a bad thing. However, in some cases, it may also reduce the policy choices of all Member States’.

It concluded emphatically³⁵²:

‘For the Commission, the question is no longer whether there is a need to move away from unanimity in taxation, but rather how and when to do it’.

As Commissioner Pierre Moscovici put it³⁵³,

‘There are structural proposals for which unanimity is obstructing a deal’.

These findings show policymakers’ willingness to respond to political salience despite the structural constraints and legal challenges faced by those putting forward tax reform proposals. It boosts confidence in the claim that salience provided the fuel for tax reforms whereas economic interests limited the range of policy options available to policymakers.

³⁴⁸ Corporate taxation of a significant digital presence, *European Parliament Briefing*, December 2018; Procedure file on the proposal for a directive on the corporate taxation of a significant digital presence, *Legislative Observatory*, 2018/0072(CNS).

³⁴⁹ ‘Brussels pushes to scrap national vetoes on taxation’, *Financial Times*, 14 January 2019.

³⁵⁰ Assemblée nationale, *Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés*, n°1838, 3 April 2019, p101 – also p34, p82.

³⁵¹ European Commission, *Communication from the Commission to the European Parliament, the European Council and the Council, Towards a more efficient and democratic decision-making in EU tax policy*, 15 January 2019, p7.

³⁵² *Idem*, p11.

³⁵³ ‘EU Commission Plans for Qualified Majority Voting on Tax Issues’, *Tax Notes*, 11 January 2019.

Despite the new compromise text for a EU-level digital services tax, which narrowed the scope to digital advertising revenues, and the approval of the European Parliament, the proposal was ultimately rejected at the Council meeting on March 12th, 2019, due to vetoes by Ireland, Denmark, Sweden and Finland³⁵⁴. Germany, a key actor, abstained. As the Council summarised³⁵⁵:

‘Some delegations maintain reservations either on some specific aspects of the proposal or more fundamental objections’.

Germany’s position was strategic. Then-EU tax Commissioner Pierre Moscovici explained in interview³⁵⁶:

‘First Germany did not like the idea of a turnover-based tax, second the US was strongly opposed to the proposal, threatening to levy trade sanctions against European companies, and third most European businesses falling in the scope of the tax would have been German, for instance but not only the German car manufacturing multinationals. For all these reasons the German finance minister Olaf Scholz did not put its veto to the final vote but only because he knew that the project will be vetoed by others ... Germany said no until it was sure that other, smaller European states will oppose the tax, which needed unanimity to pass ... A silence from Germany means a no’.

‘The silence of Germany lacked of panache, but not skills’,
added French finance minister Bruno Le Maire³⁵⁷.

Nevertheless, the EU digital services tax was not abandoned but deferred. With a new OECD report due in mid-2020, governments hoped for an international solution. In the summary of its March 2019 meeting, the Council instructed that work should continue on digital tax reform, focusing on shaping ‘the EU position in international discussions on digital tax, in particular in view of the OECD’s report on the issue, due in the course of 2020’³⁵⁸. This demonstrated the willingness of European governments to pursue reform, but in a way aligned with long-term economic stability.

A clause in the final text preserved the option of reintroducing the proposal should no global agreement be reached. The Council stated³⁵⁹:

³⁵⁴ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p94.

³⁵⁵ European Council, Outcome of the Council meeting, 3678th Council meeting, Economic and Financial Affairs, 12 March 2019, p6.

³⁵⁶ interview 22.

³⁵⁷ Le Maire, B. (2021), *L’ange et la bête*, Editions Gallimard, p122.

³⁵⁸ European Council, Outcome of the Council meeting, 3678th Council meeting, Economic and Financial Affairs, 12 March 2019, p6.

³⁵⁹ European Parliament, Proposal for a Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services, *Legislative Train Schedule*, 2018/0073 (CNS).

‘The Commissioner is tasked with helping to achieve the international solution, or if no consensus is found by the end of 2020, proposing a fair European tax’.

This quote underscores governments’ efforts to pursue a longer-term, internationally coordinated solution that aligned with business interests, while acknowledging the strong public pressure to act. Indeed, the digital services tax proposal was not dismissed outright but left as a contingency in case a more favourable resolution failed to materialise. This reflects the narrow corridor within which policymakers operated – where both public demands and business interests shaped the contours of the final proposal.

Moreover, the European digital services tax created momentum. While it is unclear whether the European Commission or the OECD was leading the initiative, what is clear is that each institution’s actions accelerated the other’s. In other words, the EU proposal – driven by public pressure for faster reform – had ripple effects on the pace of tax negotiations both nationally and internationally.

Johan Bernardo Langerock, a tax political advisor at the European Parliament, observed³⁶⁰:

‘The proposal failed but it achieved a lot, it helped to unblock the situation at the OECD, it put pressure on them’.

Indeed, just days before the EU proposal was announced, the OECD released its own interim report in March 2018³⁶¹. It highlighted progress made on implementing the first BEPS measures and outlined several options for addressing the specific tax challenges posed by digitalisation.

Yet, it also warned that interim measures like digital services taxes should remain ‘compliant with international obligations, temporary, targeted, (and) minimise over-taxation (...)’³⁶². In its conclusion, the OECD stated that³⁶³:

‘There is no consensus on the merits of, or need for, interim measures, and therefore this report does not make a recommendation for their introduction’.

³⁶⁰ interview 17.

³⁶¹ OECD (March 2018), *Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

³⁶² *Idem*, p180

³⁶³ *Idem*, p212

Importantly, unilateral solutions were put forward alongside international developments. By January 2019, as the EU proposal neared its final stages before the next Ecofin meeting in March 2019, the OECD published an updated progress note³⁶⁴. It introduced a framework built on two pillars and stressed the need to focus on the international level of policy negotiations.

A closer look at international tax reforms will be given in the last empirical chapter of this research. In short, the first proposed reallocating taxing rights from home to market jurisdictions to address the core challenges of digitalisation. The second aimed to reduce harmful tax competition by implementing a global minimum corporate tax rate. Although the precise mechanisms and scope of both pillars remained under negotiation, this marked a significant step forward in outlining a unified approach to taxing multinationals. It was a pivotal moment in the negotiations, as it aligned the interests of different nations.

For instance, countries such as the UK and France aimed to reform the allocation of taxing rights with Pillar 1, allowing them to tax Big Tech operating within their jurisdictions and respond to public demands. Meanwhile, countries like the U.S. found strategic value in Pillar 2, which sought to level the playing field by curbing tax avoidance and countering the competitive advantages of tax havens – thereby protecting their domestic economic interests.

The OECD, presenting the two pillars in January 2019, stressed the role of an intergovernmental solution to alleviate tensions³⁶⁵:

‘Members of the Inclusive Framework discussed these innovative proposals ... they are cognisant that taking on these challenges, together, and on a co-ordinated, multilateral basis could ease the growing tension within the international tax architecture with a number of countries having taken unilateral measures over recent years’.

The OECD committed to presenting a new progress report at the June 2019 G20 Finance Ministers’ meeting, aiming for an agreed solution by 2020³⁶⁶.

In sum, this section has reinforced the usefulness of a salience-based interpretation of the policy process. The European digital services tax arose from public demands for rapid reform, following frustration with the slow pace of international negotiations. However, the analysis has also shown that national economic interests, particularly resistance from strategically important industries, ultimately

³⁶⁴ OECD (23 January 2019), *Addressing the Tax Challenges of the Digital Economy – Policy Note*, as approved by the Inclusive Framework, Paris: OECD Publishing.

³⁶⁵ *Idem*, p3.

³⁶⁶ *Idem*.

constrained the implementation of a unilateral tax. An international solution remained the preferred option for business, offering a long-term, stable solution to the tax challenges revealed in the press. The next section continues to explore this narrow policy corridor in which governments balanced strong public demands against the structural resistance of key business sectors.

3.1.b. The Domestic Digital Services Tax Protected National Economic Interests

As momentum behind the European digital services tax waned, the French Finance Minister advanced a domestic proposal. It aimed to levy a 3% tax on online advertising revenues from the largest digital companies. The threshold was set at companies earning €750 million in global turnover, including €25 million in France³⁶⁷.

On December 18th, 2018, the government's political party Renaissance tweeted³⁶⁸:

‘Tech giants pay 14 points less in tax than our small and medium enterprises. It is one of the greatest tax injustice. From January 2019, the GAFAs will be taxed at the national level, without waiting for a European tax. France fulfils its duty’.

Big Tech opposed the French proposal on the same grounds as the EU-wide version. The two key concerns were identical: first, that taxing turnover – as opposed to profits – posed higher cash flow risks for companies. A turnover tax does not account for fluctuations in operational costs and may affect companies even if they are running at a loss. Second, a unilateral tax increased the risk of the same income being taxed in multiple jurisdictions, due to the lack of international coordination.

As with the European proposal, business representatives actively lobbied against the passage of the French digital service tax. A senior tax consultant interviewed by French parliamentarians pointed out ‘ambiguity of the tax base’ and warned of the risk of double taxation due to the lack of harmonisation across unilateral tax regimes³⁶⁹.

The rapporteur for the French National Assembly similarly noted³⁷⁰:

³⁶⁷ Assemblée nationale, Projet de Loi portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés, n°1737, 6 March 2019, presented on behalf of Mr. Edouard Philippe, Prime Minister, by MR. Bruno Le Maire, Minister of the Economy and Finance.

³⁶⁸ Renaissance, ‘les GAFAs devront payer leurs impôts en France, comme tout le monde!’ *Twitter*, 7:02pm, 18 December 2018.

³⁶⁹ Sénat, Commission des finances, Projet de loi portant création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés, Audition Julien Pellefigue, 30 April 2019.

³⁷⁰ Assemblée nationale, Rapport d'information sur la mise en oeuvre des conclusions de la mission d'information relative à l'évasion fiscale internationale des entreprises, n°4052, 7 April 2021, p35.

‘Digital services taxes create a high risk of double taxation, because of several digital services taxes across countries, as well as because of the coexistence of the digital services tax with the traditional profit-based corporation tax’.

Deputy Véronique Louwagie of the right-wing party Les Républicains added.³⁷¹

‘The United States have levied a tax of 13% on companies, which means that the GAFA are taxed *a minima* at 13%, from which we want to add domestic taxes from other countries. A study from the economic think-tank *Molinari* assesses the average tax levied on the GAFA as 24%’

Opposition was fierce among the tech community. On January 21st, 2019, the *Association des services internet communautaires (ASIC)* – the main lobbying group for Big Tech, including Google, Facebook, Airbnb and Microsoft – called the proposal ‘an ideological tax based on the wrong facts’³⁷². Google called the proposal a ‘fiscal nightmare’³⁷³ and warned against the negative impact of the tax on the country’s economic growth: ‘Public policy should encourage rather than impede economic growth’³⁷⁴. Microsoft, ‘s head of public affairs called for ‘those who, like us, support virtuous models of cooperation with publishers not to be penalised by the tax’³⁷⁵.

Multinational firms with high turnover but low margins also warned that a turnover-based tax would place strain on their cash flows. A Yahoo spokesperson expressed concern, stating: ‘our advertising revenues are down 12% this year and we have had to make a job cut plan’³⁷⁶.

As President Macron hosted its 2019 summit called ‘Choose France’, which aimed to attract foreign investors and in particular those in the tech sector, lobbyists for the Big Tech nicknamed the meeting ‘Choose Tax’³⁷⁷.

Tech companies threatened to pass the costs of the new tax onto businesses using their services. Indeed, Amazon, Apple, and Google respectively increased their prices in August 2019, September 2020 and March 2021³⁷⁸.

³⁷¹ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p66.

³⁷² *Idem*, p41.

³⁷³ ‘Nicolas Sarkozy stigmatise Google’, *Le Figaro*, 8 January 2010.

³⁷⁴ ‘Sarkozy ressort la taxe Google’, *Europe 1*, 15 March 2012.

³⁷⁵ ‘Nicolas Sarkozy stigmatise Google’, *Le Figaro*, 8 January 2010.

³⁷⁶ *Idem*.

³⁷⁷ ‘Tax me if you can’, *Vanity Fair*, 21 November 2019, p11.

³⁷⁸ ‘Amazon France répercutera la « taxe GAFA » sur ses tarifs aux entreprises’, *Le Figaro Economie*, 1 August 2019 ; ‘Google répercuté sur ses clients français la taxe sur le numérique’, *Le Monde*, 4 March 2021.

At a roundtable, a representative of the French Digital Council stressed the need to ‘go beyond the Google tax; if we tax online advertising, we touch Google but not Amazon’. He added³⁷⁹:

‘We are more concerned by who we want to tax than what we want to tax’, pointing to the targeted nature of the measure on Big Tech.

Similarly, Anton Maria Battesti, Public Policy Manager for Meta in France, recalled that the government’s focus on large tech companies stemmed from their limited footprint in the domestic economy³⁸⁰:

‘There was a strong lobbying from domestic businesses, I remember one roundtable when French digital actors focused a lot of the discussions on defining a tax base targeted at US companies ... the issue is also for other multinationals, but there are many European pharmaceuticals or oil and gas multinationals, as opposed to the US-dominated tech sector, so I do not think there will be similar turnover-based taxes for other sectors’.

Overall, the evidence indicates that large technology companies had the most to lose from the implementation of the digital services tax. Their lobby groups criticised the tax’s narrow focus on them, and argued instead for a broader scope covering all multinationals. Yet, tech multinationals did not have strong domestic roots in France’s industrial ecosystem, nor were they closely tied to sectors considered strategic for national growth.

As a result, the evidence suggests that policymakers pressed ahead with the digital services tax to respond to political pressure for reform, despite acknowledging its design and technical limitations. This is a key body evidence in demonstrating the strong political momentum behind the tax – and the limited structural power of Big Tech.

The French Finance Minister reiterated his support for a unilateral solution during parliamentary debates on the tax proposal in April 2019³⁸¹. The rapporteur for the French National Assembly also wrote in a parliamentary report on the tax proposal³⁸²:

‘Taxing turnovers is not ideal, the government (...) is perfectly aware of this. Turnovers, as opposed to profits, do not reflect the profitability of the company, which could have very high

³⁷⁹ Sénat, Rapport d’information, ‘Médias et nouvelles technologies : actes de la table ronde du 26 janvier 2012 sur la fiscalité du numérique’, 30 Mai 2012, p28.

³⁸⁰ interview 12.

³⁸¹ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p81.

³⁸² *Idem*, p34.

turnovers but little margins, or even be in deficit ... it is not ideal, but it is necessary while we wait for an international solution ... The imperfections of the digital services tax should not be a reason not to act, as doing nothing will be the worst alternative’,

The quote above passes the Smoking-Gun test in process tracing: it explicitly reveals the government’s motivation for introducing a new unilateral reform – to respond to public demands – due to the inability of international negotiations to deliver timely solutions.

An interest-based explanation for the adoption of the digital services tax in France emphasises the limited structural economic power of large technology companies within the country. While the tax was introduced in response to rising political salience, it was also shaped by economic considerations – specifically, by minimising potential harm to key national industries. As the section below shows, Big Tech was not among these strategically important sectors.

The DST was carefully crafted to exclude industries vital to the French economy. A review of *Forbes 500* data between 2016 and 2020 demonstrates that the major French companies represented in this global ranking belonged to sectors such as aerospace (Airbus, Air France-KLM), automotive (Peugeot – now Stellantis, Renault), energy and utilities (EDF, Engie, TotalEnergies), financial services (AXA, BNP Paribas, Crédit Agricole, Crédit Mutuel Agricole, Société Générale), food and beverage (Danone, Pernod Ricard), infrastructure (Vinci, Bouygues, Saint-Gobain, SNCF), luxury goods (LVMH, Kering), pharmaceuticals (Sanofi), retail (Auchan, Carrefour, L’Oréal), telecommunications (Bouygues Telecom, Orange)³⁸³.

Other prominent firms are not on this list, such as Hermès in the luxury goods sector, Dassault or Thales in aerospace and defence, SFR in telecommunications, Ipsen and Pierre Fabre in the pharmaceutical industry, or Lactalis in food and beverage, but they were nonetheless central to key national industries³⁸⁴. With the exception of Capgemini, however, no French company was amongst the global leaders in the digital technology sector, whether measured by revenue or market capitalisation.

This structural gap shaped the scope and intent of the DST. French companies most crucial to national economic performance were unaffected by the tax, which instead focused on foreign digital firms. According to the European Commission’s tax directorate, of the 180 multinationals falling within the scope of the proposed EU-wide DST, only a third were European, and half were American, with a

³⁸³ Fortune Global 500, *fortune.com*.

³⁸⁴ This list is derived from general industry knowledge as well as publicly available information, see for instance: Autorité des Marchés Financiers (AMF), Chamber of Commerce and Industry, Le Medef, Fortune Global 500, Ministère de l’Economie et des Finances, INSEE.

remaining 20% companies being Asian³⁸⁵. In the case of the French digital services tax, just one out of the 26 companies targeted by the national DST was French³⁸⁶.

This asymmetry made the tax politically attractive. It could generate new revenue streams, while appearing to stand up to foreign corporate power and respond to rising political salience, all without threatening domestic industries. Political arguments made in defence of the DST reinforced this point. In parliamentary debates, Finance Minister Bruno Le Maire, for instance, rejected concerns over consumer costs and legal risk.

Le Maire downplayed the distinctive nature of a unilateral, turnover-based tax within the current tax system³⁸⁷:

‘(Eric Woerth) has asked me about the risk of double taxation. It is not uncommon for a company to be taxed several times: with corporation tax and VAT, for instance. In addition, the digital services tax will be deductible from the company’s corporation tax as it will be included in its final costs. (...)’

Le Maire also argued that because half the revenues would come from online advertising – services not paid for directly by consumers – the tax’s burden on the public was minimal. Even when platforms passed on costs to intermediaries, the overall impact was calculated to be just 0.3% to 0.4% of a product’s cost³⁸⁸:

‘Frederique Dumas and other deputies have asked about the cost of this tax for customers. Half of the revenues from this tax will come from online advertising revenues – you do not pay for these advertisements. On the contrary, you are often their victim. This argument on the cost for consumers is not right as half of the revenues will come from advertisements that you do not pay for. As for the other half, it will be at worst an increase by 3% of the 12% fee raised by the platforms over intermediaries, so an increase of around 0.4%. I can hear many arguments, but the one on an increase of consumer prices is not acceptable as it is simply wrong. (...) Let’s say that a small family business produces champagne and exports it via Amazon. Amazon will charge a fee of 10% or 12%, which will be taxed at 3%. It is equal to 0.3% or 0.4% of the cost of the champagne. Will Amazon transfer this increase to the champagne business integrally? It

³⁸⁵ According to European Commissioner Pierre Moscovici during his audition on 22 May 2018, in Assemblée nationale, Rapport d’information, en conclusion des travaux d’une mission d’information, relative à l’évasion fiscale internationale des entreprises, n°1236, 12 September 2018, p200

³⁸⁶ Saint-Amans, P., Paradis fiscaux, Comment on a changé le cours de l’histoire, Editions du Seuil, 2023, p243.

³⁸⁷ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p94, p102-104, p195.

³⁸⁸ *Idem*.

is up to the company to decide ... but if it decided to do so, which would be surprising, it would never be more than 0.3% or 0.4% of the product cost’.

Le Maire concluded with maintaining that the DST complied with EU law and international tax treaties, as it was a turnover-based levy and not a direct tax on profits³⁸⁹:

‘As for the legal risk, there is none in regards to European law, as it is a proposal reflecting the one raised initially at the European level ... In terms of fiscal conventions, because the digital services tax is beyond the scope of corporation tax, as it is a turnover-based tax, it does not go against the conventions we have signed with the United States ... It is the position of our advisers from the Treasury’s tax legislation department’

The effect of Big Tech’s limited domestic footprint on their policy influence is even stronger when compared with another high-profile public debate regarding the taxation of multinationals. In the Autumn 2022 discussions were held in parliament, as well as in the court of public opinion via intense media coverage, on how to tax the revenues of companies whose profit increased following the beginning of the war in Ukraine.

However, proposals for a windfall turnover-based tax on these companies were largely opposed by the French government. Le Maire argued against it³⁹⁰:

‘Because it will affect our companies... we will tax Danone and not Amazon’.

The DST was thus also a response to political pressure from domestic actors increasingly threatened by Big Tech’s market size. It was an opportunity to tame the dominant position of large technology companies over smaller advertising and media agencies.

As early as 2010, the first proposal for a ‘Google Tax’ sought to protect traditional media outlets and advertising agencies from growing digital competition. Representative organisations like the *Société des auteurs et compositeurs dramaturges*, initially supported the policy initiative and even called for an antitrust investigation into Google’s practices³⁹¹.

³⁸⁹ *Idem*.

³⁹⁰ ‘Budget 2023 : pourquoi Bercy rejette l’amendement sur les superdividendes’, *Les Echos*, 17 October 2022.

³⁹¹ ‘Les sénateurs brandissent une fausse « taxe Google »’, *Le Point*, 11 February 2010.

The head of public and legal affairs at Microsoft, Marc Mossé, stressed the direct connection between the tax and the dominant position of Big Tech in defending his company's tax strategy by arguing that 'those who, like us (Microsoft), choose to share more with publishing houses will not be penalised'³⁹².

However, once the possibility arose that the tax might be extended to smaller domestic firms, that support waned³⁹³. Close to seventy domestic actors signed a letter in December 2010 against the passing of the proposal, which was put aside.

During the April 2019 parliamentary debates on the DST, lawmakers explicitly tied low taxation to the monopolistic positions of tech giants and their effects on smaller businesses. For Benoit Potterie, rapporteur for the economic committee, the tax was a way to rebalance competitive dynamics between businesses of various sizes³⁹⁴:

'The low taxation of tech giants supports their monopolistic position and increases the risk of unfair competition. These monopolistic positions make many smaller businesses dependent on the GAFA'.

Similarly, conservative deputy Julien Aubert expressed his support for a tax which would target digital platforms whose business models undermined the traditional economy, citing Amazon as a company whose market presence harmed small French retailers³⁹⁵:

'Logically (this tax) should apply to digital services that have a negative effect on the real economy. For instance, I am happy that Amazon, whose activities directly affect small businesses, is included (within the scope of the tax)', he told his peers in the auditorium.

Emmanuel Moulin, the most senior official at the French Treasury as the Finance Minister's Chief of Staff, echoed this sentiment³⁹⁶:

'The rapid growth of the tech and platform companies, which were gaining an increasingly dominant market position, made politicians increasingly aware of the policy challenges around the tech companies'.

³⁹² 'Nicolas Sarkozy stigmatise Google', *Le Figaro*, 8 January 2010.

³⁹³ 'Appel des 67 contre la taxe de la publicité sur Internet : 'le spectre du Silicon désert'', *La Tribune*, 13 December 2010.

³⁹⁴ Assemblée nationale, Rapport portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés, n°1838, 3 April 2019, p84.

³⁹⁵ *Idem*, p100.

³⁹⁶ interview 24.

During the same parliamentary debates, Finance Minister Le Maire echoed these sentiments in the broader European context, calling for greater investment and technological sovereignty to keep Europe competitive³⁹⁷:

‘Let’s stop being fascinated by the United States and focus on our strengths! It is now time, with the European recovery plan, to build a sovereign and strong continent. We must invest, invest, invest to keep Europe in the technological race’.

For the French Treasury, the DST also offered a means to increase revenue from a sector largely dominated by foreign firms, while avoiding any disruption to domestic champions. As the companies affected by the DST were not among France’s leading employers or sources of economic growth, the policy did not represent a clear-cut loss for the broader business community.

These developments support the hypothesis that states whose strategic industries were not in digital technology had greater political and economic room to pursue unilateral tax measures targeting tech multinationals. The evidence shows that the digital services tax aimed to assuage political demands – in this sense, political salience prevailed over the interests of Big Tech, which lacked the structural leverage to significantly influence the tax’s design. This is a key body of evidence for validating the research theory, according to which politicians weighted political pressure against the interests of strategically important domestic industries.

Nonetheless, this alignment began to shift as external economic pressures mounted. The findings in the next section add further evidence that governments aimed to minimise harm for critical national sectors while responding to political salience.

3.2. Critical National Sectors Ended Up Affected By These Unilateral Taxes

Initially, critical domestic sectors were unaffected by the DST, but the threat of U.S. trade retaliation introduced new political and economic risks. As Washington prepared retaliatory tariffs, the scope of potential harm expanded beyond the digital economy to French exporters and national industries. These concerns altered the preferences of large non-tech multinationals, which increasingly saw the DST as a liability.

³⁹⁷ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019.

Businesses began to fear that a turnover-based tax on one sector could set a precedent for similar levies on others. Additionally, companies were wary of a more fragmented international tax system, which could impose higher compliance costs and regulatory uncertainty.

As a result, their interests started to converge with those of the tech multinationals. Rather than supporting unilateral measures, they began advocating for multilateral solutions within an international tax framework, where burden-sharing and legal certainty would be more evenly distributed. In short, while France's DST initially emerged from a coalition of political and business interests aligned against Big Tech, the evolving geopolitical and economic context prompted a recalibration of those alliances.

The trajectory of the DST thus underscores how interest-based coalitions are not fixed but can shift in response to changing international solutions. As economic tension rose, non-tech multinationals moved closer to the interests of tech multinationals.

3.2.a. The Threat of U.S. Trade Sanctions

The theoretical framework underpinning this research suggests that the greater a country's reliance on access to the US market for its major industries, the more sway the threat of American trade sanctions has in deterring unilateral tax reforms aimed at large technology companies. In other words, when a nation's critical national industries are economically intertwined with the United States, domestic policymakers are less inclined to adopt tax measures that primarily target American tech multinationals.

The United States, a key trade partner for France, strongly opposed the French digital services tax, criticising it as a discriminatory measure aimed predominantly at large US-based technology firms. Under DSTs, U.S. tech firms were likely to pay more tax overall and less to the U.S. government, either being taxed in multiple countries on the same revenue, which would hurt the competitiveness of U.S. multinationals, or requiring foreign tax credits deducting from their U.S. tax obligations the amount of tax paid in countries levying a DST³⁹⁸.

As a result, Lafayette 'Chip' Harter, the U.S. Treasury representative during tax negotiations, described the DST as 'extremely discriminatory vis-à-vis US-based multinationals' in his testimony before the French Parliament in April 2019³⁹⁹.

³⁹⁸ the US foreign tax credit system focuses on income rather than revenues, which means that the US tech companies faced the risks of not being given a deduction, and therefore paying taxes in more than one country on the income taxed by the digital services taxes.

³⁹⁹ Assemblée nationale, Rapport portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés, n°1838, 3 April 2019, p38.

President Trump echoed this sentiment, tweeting in July 2019⁴⁰⁰:

‘If anybody taxes our great American technology companies, it should be their home country, the USA’.

He then remarked at a NATO summit in December 2019⁴⁰¹:

‘If anyone is going to take advantage of the American companies ... it’s going to be us’.

President Trump opposed the idea of ‘America being taxed’, as opposed to a debate focusing strictly on the effect of the tax on tech companies. The DST was framed as an affront to American national interests rather than a tax policy concern. While the Trump administration was not especially aligned with Big Tech, its stance against foreign-imposed taxes on American companies was uncompromising.

As Damon Silvers, policy advisor for the AFL-CIO trade-union and the Biden administration noted⁴⁰²:

‘The Trump administration was not particularly close to the big platform companies, but they were more hostile to foreign governments than they were to the platform companies’.

Similar concerns persisted under the Biden administration. Chris Condon, Senior Economics Reporter at Bloomberg in Washington D.C, observed⁴⁰³:

‘With the return of the DSTs the government would engage, at least in the rhetoric, in a form of trade dispute, Biden cannot be seen not to defend the interests of US multinationals. The Biden administration has been just as adamant that the digital tax is discriminatory against tech companies; that’s is not going to change; they will go down that path (of trade tariffs)’.

Despite these accusations, the French government denied that the tax disproportionately targeted foreign firms. The French rapporteur on the DST emphasised that the measure affected a diverse group of companies, including European and Asian firms, thereby rejecting claims of country-based discrimination⁴⁰⁴:

⁴⁰⁰ Trump, D., *Twitter*, 26 July 2019.

⁴⁰¹ ‘US tariffs will hit the American dinner party the hardest’, *Financial Times*, 6 December 2019.

⁴⁰² interview 56.

⁴⁰³ interview 38.

⁴⁰⁴ *Idem*.

‘European companies, including French companies, and Asian companies, are directly affected by the digital services tax. This shows that there is no specific target towards a specific nationality’.

However, Bastien Lignereux, a French delegate to Brussels specialised in tax policy, conceded the political difficulty in constructing a tax regime that excluded US multinationals, ‘given that these were the very firms under public scrutiny’⁴⁰⁵.

Similarly, Emmanuel Moulin, Chief of Staff to the French Finance Minister, recalled in interview⁴⁰⁶:

‘Politically I do not see how any government would want a deal to tax multinationals that exclude U.S. multinationals, as it would have defeated the purpose of the tax’.

In turn, the enactment of the DST escalated tensions between Paris and Washington, raising the spectre of U.S. trade retaliation against France’s critical national sectors. The standoff was aptly likened to a ‘game of chicken’, a game-theoretic model in which two opponents head toward each other, and the first to swerve is deemed the loser – though if neither swerves, both suffer.

In this analogy, both the French and U.S. governments risked mutual economic harm: France by provoking tariffs on its key exports, and the US by initiating a trade conflict with an allied state. The conflict became a symbolic arm’s wrestle in which both parties sought to claim a political victory.

Bruno Le Maire recalled tense exchanges with Trump’s economic advisor, Lawrence Kudlow, yet remained committed to the tax⁴⁰⁷. A senior executive at a U.S. multinational noted that the French government’s defiance was so noteworthy that ‘there must be a full course at the ENA about standing up to the US’, referring to France’s elite civil service school⁴⁰⁸.

In line with its obligations under the World Trade Organization (WTO), the US claimed that the DST violated the principle of non-discrimination. Acting under Section 301 of the US Trade Act, the Trump administration launched an investigation into the French measure. Robert Lighthizer, the White House’s Trade Representative, informed the French Finance Minister Bruno Le Maire of the inquiry, warning of retaliatory tariffs⁴⁰⁹.

⁴⁰⁵ interview 20.

⁴⁰⁶ interview 24.

⁴⁰⁷ ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

⁴⁰⁸ interview 15.

⁴⁰⁹ Office of the United States Trade Representative, Executive Office of the President, Section 301 of the Trade Act 1974, [Investigation Report on France’s Digital Services Tax](#), 2 December 2019.

After France formally adopted the DST in July 2019, the U.S. threatened trade tariffs on a range of iconic French exports, including wine, cheese, and cosmetics. Lightizer's office recommended tariffs of up to 100% on French wine, stating that they were justified due to the discriminatory nature of the DST⁴¹⁰.

President Trump tweeted⁴¹¹:

The U.S. 'will announce a substantial reciprocal action on Macron's foolishness shortly, I've always said American wine is better than French wine!'

As Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, warned in an interview, this dispute risked escalating into a trade war over tax policy⁴¹²:

'There are serious risks of unilateral measures, and therefore trade sanctions ... trade wars for a tax issue'.

Paul Tang, the European Parliament and head of the committee on taxation, also stressed how critical the situation would become if the US retaliated⁴¹³:

'We could end up in a trade war. This is the danger of the situation',

A senior journalist who covered the DST negotiations recalled⁴¹⁴:

'Fights were civil under Obama, but Trump and Mnuchin didn't care very much, being happily cowboy in their rhetoric, and it gave Le Maire the opportunity to be just as aggressive'.

While Section 301 had previously been used against China, its invocation against France marked an unprecedented development in Franco-American economic relations. A French official admitted that although retaliation had been anticipated⁴¹⁵,

'Trump's very public reaction was unprecedented in the history of US-French relations'.

⁴¹⁰ Ambassador Robert E. Lightizer, in Office of the United States Trade Representative, Executive Office of the President, Section 301 of the Trade Act 1974, *Investigation Report on France's Digital Services Tax*, 2 December 2019.

⁴¹¹ Trump, D., *Twitter*, 26 July 2019.

⁴¹² 'OECD tax chief warns of trade wars if global deal is not implemented', *Financial Times*, 30 October 2022.

⁴¹³ 'The man behind the global struggle to create digital taxes', *Politico*, 21 February 2020

⁴¹⁴ interview 17.

⁴¹⁵ 'Trump-Macron, tweets, taxes et menaces', *Journal Du Dimanche*, 28 July 2019.

These tariffs posed serious risks to France's critical industries by making exports to the U.S. more expensive and less competitive. Although a few European companies – such as Norwegian Adevinta⁴¹⁶ or French Criteo – fell within the scope of the DST, the vast majority of affected firms were American⁴¹⁷.

Consequently, as the U.S. threat of trade sanctions became more credible, French critical national sectors began to reconsider their position. The possibility of tariffs harming French exports made non-tech multinationals increasingly wary of the DST. Many dominant industries had an interest in accessing the U.S. market, and they began to align their interests with those of the tech giants.

Pascal Saint-Amans, Director of the OECD Tax Unit and a French national, rhetorically asked to summarise the situation⁴¹⁸:

‘Are we really going to hit our economy for a few hundred millions in tax from Big Tech?’

This question was posed as fears mounted that retaliatory tariffs could hit France's flagship export sectors. In December 2019, the US Trade Representative's Office recommended trade sanctions of up to \$2.5 billion on French wine, champagne, cheese, and cosmetics, in response to what it deemed a discriminatory tax⁴¹⁹.

Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD), conceded⁴²⁰:

The US's global economic superpower ‘has allowed the US to do things that no other country would dare doing ... few countries in the world would dare to, or could, stand up to the Americans’.

Consequently, the previously distinct interests of tech and non-tech multinationals began to converge. Both groups increasingly viewed unilateral digital services taxes as a suboptimal approach when compared to advancing multilateral tax negotiations – the looming threat of sanctions prompted a rare alignment between these corporate sectors.

⁴¹⁶ Adevinta disagrees with the choice of the French tax authority to put it within the scope of the digital services tax, in ‘Economie: tout savoir sur la taxe GAFA qui doit rapporter 800 millions d'euros à Bercy en 2024’, *C News*, 10 October 2023.

⁴¹⁷ Clausing, K. (2018), ‘Does tax drive the headquarters locations of the world's biggest companies?’, *Transnational Corporation*, 37, 44.

⁴¹⁸ interview 44.

⁴¹⁹ Office of the United States trade Representative, Executive Office of the President, Section 301 of the Trade Act 1974, [Investigation Report on France's Digital Services Tax](#), 2 December 2019.

⁴²⁰ interview 18.

This convergence set the stage for a temporary compromise during two major diplomatic events: the G7 Finance Ministers Summit in Chantilly (July 17-18th, 2019) and the G7 Heads of State Summit in Biarritz (August 24-26th, 2019). There, French and American negotiators agreed to explore the creation of a legal mechanism that would credit companies if their DST liabilities exceeded those under a forthcoming international tax agreement⁴²¹.

Although this proposal was eventually shelved in the autumn, it preserved a diplomatic pathway and enabled both sides to remain engaged. President Macron tweeted⁴²²:

‘Great discussion with (President Trump) on digital tax. We will work together to avoid tariff escalation’.

A senior French Treasury official added⁴²³:

‘We had to put an end to the aggressive one-upmanship’.

This episode illustrates that while the rising public outcry over tech companies’ tax practices drove the DST forward, French policymakers simultaneously sought to shield their critical national sectors from the adverse economic repercussions.

3.2.b. The Use of the Digital Services Tax as a ‘Damocles Sword’

According to Article 299 of the final proposal for the DST, the tax was to be implemented from 2019 to 2021⁴²⁴. The French DST was designed as a temporary measure, intended to remain in place until the conclusion of an international agreement on digital taxation. The French parliament’s proposal included a sunset clause, stipulating that the tax would be in effect for no more than two years after its introduction.

In the words of the French rapporteur, the tax was intended to apply pressure on governments to reach an international agreement⁴²⁵:

⁴²¹ ‘Taxa Gafa: Paris et Washington enterrent la hache de guerre’, *Aujourd’hui*, 27 August 2019.

⁴²² ‘France will delay digital tax on technology giants after talks with US’, *Euronews*, 22 January 2020.

⁴²³ ‘La France suspend sa ‘taxe Gafa’ en attendant un accord’, *L’Opinion*, 22 January 2020.

⁴²⁴ Assemblée nationale, Sénat, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, 26 June 2019, p19.

⁴²⁵ Assemblée Nationale, Rapport d’information relative à l’évasion fiscale internationale des entreprises, 12 September 2018, p202.

‘Like Cortès who voluntarily beached his ships in Veracruz before embarking on the conquest of the Aztec Empire, the time limitation would motivate (governments to agree on a multilateral solution) for lack of a possible retreat’.

In parallel with the passing of the unilateral DST, the French government actively participated in international tax negotiations, emphasising that the implementation of the tax could accelerate the development of a global tax agreement. Policymakers argued that the introduction of the DST would act as a catalyst, expediting the negotiations within international fora.

This is an important piece of information as it shows that policymakers aimed to deliver a long-term perspective – unilateral tax reforms aimed to act only as a temporary fix until a cross-border agreement was reached. This strategic positioning revealed that, while the French government sought to address domestic concerns with short-term unilateral measures, its longer-term objectives remained the conclusion of an international tax agreement that would be more aligned with the preferences of the business community.

The evidence above passes the hoop test in process tracing: it provides support for the research theory according to which political saliency generated momentum for policy change, while national economic interests shaped the direction of that change.

The OECD noted⁴²⁶:

‘Countries considering these interim measures consider there is a fiscal and political imperative to act, pending a global solution which may take time to develop, agree and implement’.

The findings indicate that governments, including France, adopted the DST as a means of increasing U.S. engagement in the international tax negotiations. The French government committed to repealing the DST upon the conclusion of an international agreement, which would simultaneously eliminate the threat of US trade sanctions against unilateral taxes.

Thus, it became clear that the removal of such unilateral taxes, and the associated risk of trade sanctions, was in the economic interests of all countries involved, contingent upon the successful negotiations of a global tax agreement. During the passing of the DST, French policymakers highlighted the utility of the tax as a strategic tool for advancing negotiations at the international level.

⁴²⁶ OECD (2018), ‘Brief on the tax challenges arising from digitalisation: Interim Report 2018’, p4.

When Deputy Véronique Louwagie raised concerns that the unilateral tax could slow down the progress of international negotiations, French Finance Minister Le Maire countered by asserting⁴²⁷:

‘I do not share your perspective. Since France has announced the passing of a digital services tax, the negotiations at the OECD have speeded up with a new momentum’.

Le Maire elaborated further in his parliamentary speech, stating that⁴²⁸:

‘With this tax, we have a counterfactual, and we will remove it as soon as an international agreement is reached. If you adopt this digital services tax, we will be in a strong position at the OECD. We will have one clear message: make progress at the international level if you do not want a unilateral tax, find an international solution and we will remove our domestic solution’.

The OECD’s 2020 progress report echoed this sentiment, noting that⁴²⁹:

‘Any consensus-based agreement must include a commitment by members of the Inclusive Framework to implement this agreement and to withdraw relevant unilateral actions, and not adopt such unilateral actions in the future’.

France, as a full member of the OECD’s Inclusive Framework, endorsed this position during the Inclusive Framework summit in October 2020.

In this way, the DST effectively functioned as a ‘Damocles sword’ hanging over US tech giants, in the words of the French rapporteur for the tax policy⁴³⁰. The threat of the DST, and the potential proliferation of similar taxes in other countries, kept the U.S. engaged. It was a way of ticking the clock so that the US remained at the negotiating table for a global tax reform. The International Chapter will develop further on the role of DSTs in the international negotiations.

Benjamin Angel, Director for Tax Policy at the European Commission’s Taxation and Customs Union department (DG TAXUD), explained⁴³¹:

⁴²⁷ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p95.

⁴²⁸ *Idem*, p102.

⁴²⁹ OECD/G20 (2020), Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint, Paris: OECD Publishing, p204.

⁴³⁰ Assemblée Nationale, Rapport d’information sur la mise en œuvre des conclusions de la mission d’information relative à l’évasion fiscale internationale des entreprises, 7 April 2021, p127.

⁴³¹ interview 18.

‘The French message to the US was clear: it is ‘through the OECD with your interests in, or through the EU with your interests out’.

Moreover, the increasing number of countries implementing unilateral taxes lessened the likelihood that the U.S. would resort to trade sanctions. As the threat of more digital services taxes spread, it became more difficult for the U.S. to target France alone, nor was it likely that the U.S. would decide to impose trade tariffs on a vast number of countries⁴³². This dynamic significantly informed the French government’s strategic calculations.

Bruno Le Maire, speaking on French radio, stated⁴³³:

‘I want to tell our American friends that we will not be the only one to implement a tax’, signalling his determination to push ahead with the DST despite the risk of US trade sanctions’.

Furthermore, there were legal challenges for the U.S. in imposing additional sanctions. As part of the ongoing Airbus-Boeing dispute, the U.S. had already imposed a 25% tariff on European wines and agricultural products⁴³⁴, and any further sanctions could potentially violate U.S. obligations under the WTO⁴³⁵.

The DST, therefore, remained in place, albeit with its implementation delayed. After several rounds of negotiations in the autumn of 2019, a breakthrough came in January 2020 when a call between Presidents Macron and Trump led to an agreement to suspend any trade tariffs on French products until the end of the year. In return, the French government agreed to delay the collection of DST payments, effectively suspending the tax⁴³⁶.

However, following a letter in June 2020 from the U.S. Treasury requesting that France, and four other European countries, remove their unilateral taxes and suspend the OECD negotiations, Le Maire publicly criticised the U.S. decision⁴³⁷:

⁴³² recent events in 2025, at the time of writing of this PhD, has proved the Trump administration’s capacity to impose large series of trade tariffs. However, the likelihood of its position was low, and few expected this move, whether in 2020 or in 2025.

⁴³³ interview Bruno Le Maire, Léa Salamé, *France Inter*, 18 June 2020.

⁴³⁴ World Trade Organization (13 October 2019), European Communities and Certain member States – Measures Affecting Trade in Large Civil Aircraft, Recourse to Article 22.6 of the DSU by the United States, WT / DS353 / ARB; United States Trade Representative (18 August 2020), Notice of Modification of Section 301 Action: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute, Federal register 50866, Vol.85, Issue 160.

⁴³⁵ Digital Services Tax: Lessons from the Section 301 Investigation, Reprinted from British Tax Review, *Sweet & Maxwell*, Issue 1, 2021, pp99-100.

⁴³⁶ ‘International agreement on digital taxes is needed’, *Financial Times*, 23 January 2020.

⁴³⁷ interview Bruno Le Maire, Léa Salamé, *France Inter*, 18 June 2020.

‘It is a provocation, what is this way of treating allies, threatening us with sanctions all the time? There will be a digital tax in 2020 in France, so either the US comes back and we have an international deal, or there is no OECD agreement and we do our own tax ... and I want to tell our American friends that we will not be the only one to implement a tax’.

This statement loops us back to the significant political dimension of the tax reform process. Elected officials such as Bruno Le Maire leveraged the salience of the issue to bolster their negotiating position. Indeed, by going to the press, Le Maire sought public backing for advancing unilateral tax reforms despite the associated economic risks. This evidence reinforces confidence in the research theory by highlighting the pivotal role that political salience played in driving tax reforms.

In July 2020, the US Trade Representative announced new trade sanctions of 25% on additional French goods, worth approximately \$1.3bn, although the implementation of these sanctions was again suspended until January 2021⁴³⁸. As international negotiations continued to progress slowly, the French Treasury confirmed that the digital services tax would be levied in December 2020⁴³⁹.

On June 2nd, 2021, President Biden chose not to remove but to extend the suspension of the trade sanctions for another 180 days, following an agreement on the potential implementation of Pillar 1, as part of the international tax framework.

By the summer of 2021, nearly two years after the initial suspension of the DST’s collection, the U.S. once again pushed for France to dismantle its tax prior to the signing of the international agreement. However, the agreement was signed on October 8th, 2021 with the French digital services tax remaining intact, subject to removal only after the international agreement would be fully executed by all parties, particularly the U.S.⁴⁴⁰.

3.2.c. A Precedent for More Turnover-Based Taxes

An important factor influencing the position of critical national sectors, beyond the threat of uncoordinated taxation and U.S. trade sanctions, was the legal and political precedent created by digital services taxes. As turnover-based taxes, DSTs established a precedent that could pave the way for similar taxes to be applied to non-tech multinational companies.

⁴³⁸ United States Trade Representative (16 July 2020), Notice of Action in the Section 301 Investigation of France’s Digital Services Tax, Federal Register, Vol.85, Issue 137..

⁴³⁹ ‘Qu’est-ce que la taxe Gafa ?’, *Toute l’Europe*, 18 January 2022.

⁴⁴⁰ OECD (8 October 2021), Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy, OECD/G20 BEPS project, Paris: OECD Publishing.

The OECD underscored the risk of a proliferation of turnover taxes beyond the tech sector if an international tax agreement were not reached. Pascal Saint-Amans, the former director of the OECD's Tax Unit, emphasised the gravity of the situation, stating that⁴⁴¹:

‘The alternative (to the signing of an international agreement) is so bad ... There is no plan b, there is a plan c, for chaos’.

Saint-Amans also highlighted the potential for DSTs to spread across sectors in another interview⁴⁴²:

‘I expect such taxes to extend beyond Big Tech in other sectors, such as the pharmaceuticals industry’

Achim Process, Deputy Director at the OECD tax unit, elaborated further⁴⁴³:

‘If people think long-term then pillar 1 will add more tax certainty, because otherwise we will have a pharma tax and so on, you will end up in a world where a market jurisdiction imposes gross taxation typically on the sectors it itself does not have, and so it starts to proliferate’.

In light of these risks, the prospect of a proliferation of national turnover-based taxes beyond the tech sector motivated industry leaders to support the signing of an international agreement. Many of these leaders recognised that the alternatives – uncoordinated, sector-specific and turnover-based taxes – would be suboptimal.

As the implementation of DSTs posed growing risks, non-tech multinationals had an increased incentive to advocate for the international tax reforms, hoping that such a framework would remove DSTs and prevent the further spread of turnover-based taxes across different industries.

3.3. The Political Element of the Digital Services Tax

These findings show that the U.S. threats of trade sanctions prompted critical national sectors to warn policymakers against the adoption of a unilateral tax. The implementation of digital services taxes became a threat not only to tech multinationals but also to non-tech firms. Yet, while France negotiated

⁴⁴¹ ‘The man behind the global struggle to create digital taxes’, *Politico*, 21 February 2020.

⁴⁴² ‘OECD tax chief warns of trade wars if global deal is not implemented’, *Financial Times*, 30 October 2022.

⁴⁴³ interview 46.

with the U.S. to suspend sanctions, it did not withdraw the tax proposal, even amid economic risks for key national industries.

This persistence underscores the strong political pressure to act. The French government's determination to enforce a unilateral tax – even under the shadow of potential sanctions – illustrates that political saliency played a central role in sustaining policy momentum, despite business opposition.

As this research has shown so far, business navigated in salient waters during the passing of tax proposals aimed to reform the taxation of multinationals, and Big Tech in particular. France leveraged the political saliency of the issue to justify its firm position against U.S. pressure. When the U.S. threatened tariffs and demanded a suspension of international tax talks in a letter to five European governments, French Finance Minister Bruno Le Maire responded on national radio, seeking public backing. He called the U.S. stance ‘a provocation against all citizens in the world who think that it is legitimate for Big Tech to pay their taxes’⁴⁴⁴.

Rather than pacifying the situation, the threat of sanctions provoked outrage across the French political spectrum. ‘It is the third time in a year that the US threatens us with trade sanctions, it’s completely stupid’, stated the French Agriculture Minister on television⁴⁴⁵.

A U.S. Treasury Deputy Assistant was dispatched to Paris. He ‘was quite tough and very opposed to (the tax), but countries are sovereign’, recalled the head of the French finance committee⁴⁴⁶. His visit ‘reinforced the deputies’ convictions to vote in favour of the tax’⁴⁴⁷.

Damon Silvers, policy advisor for the AFL-CIO trade-union and the Biden administration summarised⁴⁴⁸:

‘Not only did they continue the work without him, but I think Trump’s mistake was not to realise threatening the French with trade sanctions was not going to work, France is too strong a country to be threatened (...) although, it depends what you mean by work out, Trump wanted to get the political credit for taking various postures, I do not think there was a highly coherent strategy of we put sanctions and Le Maire will listen’.

⁴⁴⁴ interview Bruno Le Maire, Léa Salamé, *France Inter*, 18 June 2020.

⁴⁴⁵ ‘Taxe GAFA : Didier Guillaume juge ‘complètement débile’ le raisonnement de Donald Trump sur le vin’, *BFM TV*, 30 July 2019.

⁴⁴⁶ interview 15.

⁴⁴⁷ ‘Tax me if you can’, *Vanity Fair*, 21 November 2019.

⁴⁴⁸ interview 26.

The digital services tax was distinctive in its political targeting. Taxing Big Tech had become a symbolic issue, easily communicated to the public.

A U.S. industry leader and senior tax advisor noted⁴⁴⁹:

‘There is a difference between BEPS 1 where the government would have struggled to risk US sanctions if pushing for reforms of transfer pricing, and the ‘GAFA tax’, which is a term much more politically appealing and therefore gathering more public support for government action’.

He continued⁴⁵⁰:

‘If the French government had expanded resources on fighting the US position on Action 1, I don’t know how they would have explained it to the French electorate, you ask the voters in the street about what do you think about permanent establishment they would shake their heads, but trade tariffs, that is something everybody understands’.

This statement further illustrates the role of Big Tech in shaping the dynamics of tax reforms.

Finally, expected revenues from the digital services tax were modest, reinforcing the notion that its primary motive was political rather than financial. As *Politico* reported⁴⁵¹:

‘Even the best estimates say that any such levies will generate \$100 billion a year ... that represents a mere rounding error to the trillions of dollars that governments from Paris to Washington have collectively earmarked for Covid-19 recovery funds’.

3.4. Conclusion.

This section has demonstrated that the interest-based theory holds: political saliency provided the momentum for reform, while economic interests defined its boundaries. The adoption of tax reforms required a careful balancing act between meeting public expectations and protecting business interests.

The analysis revealed that the digital services tax was deliberately targeted at tech multinationals – firms with limited structural power in the French economy. This strategic targeting allowed the

⁴⁴⁹ interview 15.

⁴⁵⁰ *Idem*.

⁴⁵¹ ‘The fight over digital tax is about everything but the money’, *Politico*, 27 January 2021.

government to pursue reform while minimising disruption to the industries most critical to national economic performance.

Even as multilateral tax negotiations continued, which will be treated in-depth in the next chapter, France pressed ahead with unilateral reform in 2019. The digital services tax became a critical juncture: it revealed both the heterogeneity of preferences within the business community and the tension between responding swiftly to public pressure and protecting economic interests.

As external shocks emerged, including the threat of U.S. trade sanctions and the possibility that digital taxes might set a precedent for broader turnover-based taxation, domestic industries grew increasingly aligned with the concerns of tech multinationals. These developments pushed business actors toward supporting a multilateral solution over unilateral measures.

In essence, the French government was trapped between the political imperative to act swiftly and visibly, and the economic imperative to proceed cautiously. Policymakers, conscious of potential damage to key sectors, were reluctant to impose measures that could hurt vital national industries. Yet, intense political salience – particularly frustration directed at Big Tech – generated strong incentives to move forward. This produced a policymaking process characterised by trade-offs, where governments weighed the risks of unilateral action against the political advantages of responding to public demand.

Ultimately, the findings suggest that support from critical national sectors was neither a necessary nor sufficient condition for reform. Rather, their backing – or lack thereof – functioned as a powerful tailwind or headwind, shaping the speed and scope of policy decisions depending on how closely aligned the domestic economy was with their economic priorities.

4. Alternative Explanations

Finally, this research assesses the explanatory strength of two alternative explanations for understanding the passing of tax reforms. The epistemic community and partisan preferences are two realistic factors for accounting the development of the policy space regarding the taxation of tech companies and other multinationals.

4.1. The Epistemic Community View

This section examines the role of the epistemic community in the policy process. The expert-based explanation suggests that the progress of tax proposals depends on the actions of tax experts, irrespective of the degree of political saliency.

Due to the technical nature of tax policy, this theory expects tax experts to act as intermediaries between political demands and policy design. According to this hypothesis, the reform process should remain under the control of the epistemic community, with civil society playing a more marginal role.

If this explanation is accurate, the findings would show that the French government's position was shaped predominantly by tax experts within public institutions – whether in the French Treasury, the OECD, the European Commission, or academic circles.

This section focuses on evidence from the French case. Much of the data concerning the epistemic community's role pertains to OECD-level negotiations and is analysed in the third empirical chapter of this research on international tax coordination. The current section offers a condensed version of the analysis as it relates to domestic policymaking.

Overall, the evidence shows that government policy did not align with the preferences of the epistemic community. In fact, the epistemic community had only a limited – and decidedly not a leading – role in the implementation of new tax reforms. Domestic tax reforms were adopted despite expert opposition.

For example, tax experts explicitly cautioned against the adoption of a digital services tax in France. As previously shown, French policymakers were aware of the technical limitations of a unilateral tax but proceeded with it to address public concerns. Policymakers recognised the tension between political motivations and technical challenges.

As the rapporteur for the French National Assembly wrote in a parliamentary report⁴⁵²:

‘Taxing turnovers is not ideal, the government (...) is perfectly aware of this. Turnovers, as opposed to profits, do not reflect the profitability of the company, which could have very high turnovers but little margins, or even be in deficit ... it is not ideal, but it is necessary while we wait for an international solution ... The imperfections of the digital services tax should not be a reason not to act, as doing nothing will be the worst alternative’.

⁴⁵² Assemblée nationale, Rapport portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés, n°1838, 3 April 2019, p34.

For members of the epistemic community, tax reforms should target all multinationals, not just Big Tech. The digitalisation of the economy – and, specifically, the ability of firms to operate across borders with minimal physical presence (the so-called ‘scale without mass’ phenomenon) – affected all industries, not solely digital platforms.

Accordingly, as the OECD tax director Pascal Saint-Amans explained to French deputies⁴⁵³:

‘I cannot support nor criticise unilateral measures (passed by elected governments, as a civil servant) ... but what matters from my side is that these measures do not impede progress at the international level, because what is at stake in international negotiations go much beyond Big Tech.

Similarly, in response to calls from France and other European countries for a European unilateral digital services tax, OECD Secretary-General Angel Gurría urged to wait for a longer-term, OECD-level solution instead. ‘It’s too important to be urgent’, he told his European counterparts⁴⁵⁴:

This quote highlights the inherent tension in the project of reforming international tax rules: whereas the latter required several years of complex discussions between countries, the electorate in countries such as France demanded a swift response to the tax strategies used by multinationals, including Big Tech, against the advice of tax experts.

Furthermore, the French DST lacked practical mechanisms to address its own implementation issues – particularly concerning the verification of revenue data reported by multinationals.

As the French tax lawyer David Gutmann noted, it was a political decision before a technical one: ‘We had to go, it was the way the wind was blowing’, he said in interview⁴⁵⁵.

This type of evidence underscores that the government supported the policy despite serious concerns about its functionality and against the advice of tax advisors. Such decisions diminish the explanatory power of the epistemic community as a driving force behind the reform.

⁴⁵³ ‘Audition de Pascal Saint-Amans’, in Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p58-59, p64.

⁴⁵⁴ Le Maire, B. (2021), L’ange et la bête, Editions Gallimard, p121; Saint-Amans, P. (2023), Paradis fiscaux, Comment on a changé le cours de l’histoire, Editions du Seuil, p234-235

⁴⁵⁵ see full quote p91.

Policymakers themselves acknowledged the political nature of the DST and its technical flaws. Their support stemmed from public pressure, not expert endorsement. As mentioned, the rapporteur for the French National Assembly justified the decision in almost identical terms⁴⁵⁶:

‘Taxing turnover is not ideal, the government (...) is perfectly aware of this. Turnover, as opposed to profits, do not reflect the profitability of the company, which could have very high turnover but small margins, or even be in deficit ... it is not ideal, but it is necessary while we wait for an international solution’, the rapporteur for the French national assembly wrote in parliamentary report on the French digital services tax ... The imperfections of the digital services tax should not be a reason not to act, as doing nothing will be the worst alternative⁴⁵⁷.

Notably, tax experts had been unable to prompt reforms before the tax debate gained political traction. In France, the Collin and Colin report on the taxation of the digital economy – published in January 2013 – yielded little impact. At the time, there was minimal political momentum and significant business opposition. The report, authored by two tax experts from the Finance and Digital Ministries, proposed various reforms but failed to spur policy change. Several alternative proposals were also raised by Treasury officials before 2017. Yet, government action only followed once the issue attracted public attention.

In fact, both the OECD and national tax authorities had long been working to resolve distortions in the international tax system – particularly regarding the allocation of taxing rights⁴⁵⁸. Media stories from the early 2010s did not surprise the experts. As Pascal Saint-Amans wrote in his memoir⁴⁵⁹:

‘Nothing new for the experts who have been working on the topic, but a shocking reality shown in plain sight for the mass public’.

In sum, the findings show that the epistemic community failed to push through substantive tax reforms in the absence of political salience. Their influence was constrained, and their preferences were often overridden by political imperatives.

4.2. Taxation is a Left or Right Issue

⁴⁵⁶ Assemblée nationale, Rapport portant sur la création d’une taxe sur les services numériques et modification de la trajectoire de baisse de l’impôt sur les sociétés, n°1838, 3 April 2019, p34

⁴⁵⁷ *Idem*.

⁴⁵⁸ Collier, R. (2023), The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018, *World Tax Journal*, Vol.15, Issue 2.

⁴⁵⁹ Saint-Amans, P. (2023), Paradis fiscaux, Comment on a changé le cours de l’histoire, Editions du Seuil, p127.

The second alternative explanation centres on the partisanship theory, a key framework in political science for understanding policymaking in liberal democracies. Given its prominence, it is important to test its relevance in this research.

As elaborated in the Theory Chapter, partisan-based scholarship explains government behaviour through the lens of the political and economic coalitions in power. In short, policy changes are attributed to shifts in ruling coalitions. Left-leaning parties are expected to pursue more progressive, redistributive tax policies, while right-leaning parties are expected to favour a more conservative agenda, often aligning with business interests and promoting longer-term, internationally coordinated reforms.

For the partisanship hypothesis to be supported, findings would need to show that the government's stance on taxing multinationals aligned with the ideological orientation of the ruling coalition. Specifically, a left-leaning government would be expected to push for quicker and stricter tax reforms, while a right-leaning one would likely delay or soften such measures in deference to business interests and international negotiations.

However, the evidence does not support this theory. The DST was enacted under the Macron government. Macron's party, *La République En Marche*, is a relatively new entity in French politics, and has been variably classified as centre-left or centre-right. Nonetheless, it is clearly positioned to the right of the previous Socialist presidency of Francois Hollande. This fact contradicts the partisan expectation that a more left-leaning government (i.e. Hollande's) would be more likely to implement progressive tax reforms. Instead, it was under the Macron government that the DST was passed.

Furthermore, the leading advocate of the DST within the Macron government was Finance Minister Bruno Le Maire, who has deeper roots on the political right than both President Hollande and President Macron. Le Maire hails from the traditional right-wing party *Les Républicains*. Under a partisan-based logic, it is even more unlikely that a figure from the political right would champion a tax targeting multinational tech firms – especially one criticized for its potential economic risks and unilateral nature.

Additional evidence further undermines the partisanship argument. As discussed earlier in this chapter on the eruption of political salience, multiple domestic tax proposals were rejected prior to 2017. Notably, the 2012 'Google tax' – originally proposed by then-President Nicolas Sarkozy, also from the political right – was abandoned by the Socialist government of Francois Hollande. This reversal further challenges the idea that left-leaning governments are consistently more inclined to tax large multinational corporations.

Moreover, the DST did not provoke significant ideological division. It received cross-party support. While right-leaning deputies voiced concerns about potential business impacts and the risk of U.S. trade retaliation, and left-wing deputies called for a broader and more aggressive version of the tax, these differences were largely about degree, not principle. The core of the proposal on taxing Big Tech met with approval from both sides of the political spectrum.

During the debates in the National Assembly in April 2019, deputies from across the political aisle raised a variety of concerns and suggestions⁴⁶⁰. Right-leaning deputies from *Les Républicains*, such as Véronique Louwagie, Eric Woerth and Lise Magnier questioned the tax's structure, legal foundations, and potential economic fallout of the tax. Among centrists, Frederique Dumas from *UDI* and Charles de Courson, also warned against the economic downsides of the tax and its compliance with existing tax treaties.

Left-wing representatives, like Sabine Rubin from *La France Insoumise* and Fabien Roussel from the *Parti Communiste*, advocated for a more expansive version of the tax.

Even deputies from the government's party, such as Damien Abad, expressed concerns on the effect of the tax over French businesses and consumers.

Yet, these interventions did not challenge the legitimacy of the measure itself. Rather, they sought to fine-tune its design or express concern about unintended consequences. The general consensus in favour of the tax was evident in the legislative process: the National Assembly adopted the proposal in first reading on March 6th, 2019, and the Senate followed suit on April 10th, 2019. As noted by Senator Albéric de Montgolfier, there were no significant amendments that threatened the core of the proposal: 'the Senate and the National Assembly support the proposal ... with no amendment that puts the proposal dramatically at stake'⁴⁶¹.

In light of this evidence, the partisanship hypothesis appears insufficient to account for the adoption of the digital services tax in France. Partisanship does not appear to be a determining factor in explaining the emergence and adoption of the French digital services tax. The policy did not emerge from a clearly left-wing agenda, nor was it obstructed by ideologically conservative forces.

Rather, the policy gained momentum under a centrist administration, with strong support from a finance minister aligned with the political right. Its legislative passage was marked by broad bipartisan support,

⁴⁶⁰ Assemblée nationale, *Rapport portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés*, n°1838, 3 April 2019, pp79-105.

⁴⁶¹ Assemblée nationale, Sénat, *Rapport portant sur la création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés*, 26 June 2019, p8.

suggesting that the issue of taxing digital multinationals did not conform to traditional left-right cleavages.

4.3. Conclusion.

The findings reveal no conclusive evidence that either the epistemic community or partisanship played a leading role in the adoption of tax policies targeting tech multinationals. The explanatory power of both alternative variables tested in this research is therefore rejected.

Policy initiatives from tax experts within the epistemic community only gained traction after a surge in political salience, and within the realms of what was economically and politically feasible. In other words, the epistemic community did not drive the reform process; rather, it contributed to shaping technical proposals once political conditions were ripe. Crucially, this expert-led explanation cannot account for the specific targeting of tech multinationals, which emerged as a salient political concern rather than a purely technocratic one.

Similarly, a partisan-based explanation fails to hold. There is no consistent pattern indicating that tax policy preferences – especially concerning the taxation of tech firms – were driven by the ideological orientation or voter coalitions of ruling parties. The issue of how to tax tech multinationals does not appear to be ‘owned’ by any one political party. Both left- and right-leaning governments supported, opposed or advanced tax reforms at different points, with no predictable alignment between political affiliation and policy stance.

In sum, while both the epistemic community and partisan politics may have influenced the form and timing of specific proposals, neither served as the primary driver behind the wave of tax reform targeting tech multinationals. Instead, the findings reinforce the core claim of this research: that political salience, in interaction with national economic interests, offers a more robust explanation for policy change in this area.

5. Conclusion of Chapter 2: France

This first empirical chapter has analysed the drivers behind the passing of tax reforms in France. The findings demonstrate that political salience was a critical factor for these reforms to take place. Policy change occurred only after the issue of how to tax tech multinationals became a political imperative – when public attention was directed at the issue by public figures and legacy media, offering political

credit to politicians acting on the issue in the direction demanded by salience. Once taxation became a matter of ‘noisy politics’, it was elevated on the political agenda as a priority requiring urgent attention. The pressure to close tax loopholes, widely covered and criticised in the media, became politically costly to ignore.

Importantly, this chapter has not only documented the rise of salience but it has also explored the mechanisms through which it emerged and was sustained. It shows that the interaction of media coverage and political actors constructed a coherent and effective narrative. Central to this process were policy entrepreneurs – individuals or groups who acted as brokers between public sentiment and institutional constraints. These actors were instrumental in amplifying and framing the issue in ways that moved it from a technical discussion to a broader political debate. They were critical actors in mobilising diffuse attention into targeted demands for tax reforms. Their role proved decisive: they converted public outrage into political momentum for specific policy proposals. In this sense, salience was an engine for change, which was harnessed and channelled through strategic actions by legacy media and political entrepreneurs for the delivery of a tax reform.

The second part of this chapter looked at the passing of the digital services tax. It provided ground for testing the interest-based hypothesis, which holds that governments are expected to respond to the preferences of their critical national sectors. When these sectors oppose a reform, the theory expects governments to hold back. However, the French case shows that this logic was overridden in times of high salience. Business influence diminished significantly once public pressure reached a critical threshold. This moment marked a reassertion of state authority over multinational business interests. After years of slow and cautious movement through international tax negotiations, the French government took a bold step by passing a unilateral digital services tax – even at the risk of retaliatory US tariffs and broader business opposition.

In other words, although opposition from critical national sectors acted as a headwind, it was not sufficient to prevent reform once political salience had erupted. The government accepted higher risks in favour of short-term responsiveness to political salience, thereby prioritising salience over business preferences.

Finally, this chapter assessed the explanatory power of alternative explanations proposed by the partisanship theory and the epistemic community hypothesis. In both cases, the findings were inconclusive or insufficient. The evidence does not support the claim that government behaviour was determined by partisan alignments or by the ideological coalitions behind the ruling party. Tax reforms – both unilateral and international – were pursued and adopted regardless of political colour. Likewise, although the epistemic community contributed technical expertise, it lacked the political momentum to

drive change independently. As illustrated by the Collin and Colin report, expert-led initiatives failed to bear fruit in the absence of political saliency. Only once public attention increased did those same ideas become politically viable and take legislative form.

CHAPTER 3: EMPIRICAL CHAPTER THE UNITED KINGDOM

Note to readers: Due to the close links between the development of tax reforms in France and in the United Kingdom, some overlap between these two empirical chapters is inevitable – particularly concerning the progress of international tax negotiations. To avoid unnecessary repetition, this chapter omits certain references that have already been thoroughly established in the chapter on France. Readers are also invited to refer back to relevant sections of the previous chapter where appropriate.

1. Introduction

This chapter examines the unfolding of tax reforms in a second country: the United Kingdom (UK). Debates on how to tax large technology companies have been ongoing in the UK since the early 2010s. Several reforms were proposed at the domestic level, two of which were successfully passed. The diverted profits tax was announced in December 2014, included in the Finance Bill of March 2015, and implemented in April 2015. The digital services tax followed in October 2018, was passed as part of the government's Budget Bill on 11 March 2020, and implemented in April 2020. Like France, the UK also participated actively in the international tax negotiations under the umbrella of the Organisation for Economic Co-operation and Development (OECD).

This chapter tests the explanatory power of the research theory and its two alternative explanations in explaining the adoption of unilateral tax reforms targeting tech multinationals. It examines the development of each tax proposal in chronological order, focusing in particular on the influence of political saliency and national economic interests over the decision-making process of UK policymakers. The final section evaluates the relevance of two alternative explanations: partisanship and the role of the epistemic community.

As the research has shown so far, an issue is likely to become salient when voters are told about it consistently by political entrepreneurs and legacy media – there is a clear link between attention and saliency: the more media exposure an issue receives, the more likely it is to gain political traction. The Theory Chapter has explained how scholars from the issue intrusion literature argue that increasing political saliency in a given policy area prompts governments to take action. It creates a bias for action because voters are likely to reward those who deliver on what is perceived as political imperatives, and covered in the media and by key public figures as critical issues.

For example, one key scholar in this field is Kingdon (1984), who described the mechanism of policy change as one in which political saliency transforms a condition into a recognised problem, thereby opening a policy window. In his view, political saliency is a precondition for reform because it elevates the issue on the agenda and increases pressure on policymakers to act. This is because the re-election prospects of governments are closely tied to their perceived responsiveness to public preferences, which makes the degree of saliency of an issue a central variable in the policy agenda priority list.

This chapter also explores the mechanisms underlying the eruption of political saliency. Building on attention-based theories, it defines a political intermediary as any policy actor – be it a media outlet or an individual – whose platform is sufficiently prominent to initiate and sustain public attention on a specific issue. Forstater and Christensen (2017)⁴⁶², for example, have mapped the role of ‘influencers’ in moving the international tax debate from a technical space to the political realm. This chapter applies that insight to identify the role of the media and political entrepreneurs in mobilising attention around the taxation of tech multinationals. These actors leveraged their established platforms to expose deficiencies in the international tax regime, and their public credibility helped reinforce the legitimacy of demands for reform.

The second half of this chapter turns to the role of national economic interests in shaping the UK government’s decision to pass a digital services tax. As outlined in the theory chapter, the interest-based approach stems from the political economy literature, which has long shown that business leaders can wield both structural and instrumental powers over policymakers. Lindblom (1977), for instance, stresses the central role of critical industries in shaping policy outcomes.

According to the interest-based theory, the more dependent a country’s economy is on a particular industry, the more deferential the government will be to that industry in policymaking. These critical industries become entwined with national economic interests, motivating governments to accommodate business preferences. Tax reforms are thus expected to face resistance from industry actors. From most to least preferred, business preferences are typically: (1) no taxation, (2) harmonised taxation across jurisdictions, (3) uncoordinated, unilateral taxation.

In periods of high saliency, policymakers may face a dilemma between political pressure for tax reforms versus the protection of national economic interests. Political economy scholars argue that governments tend to prioritise business preferences in times of low saliency, while heightened saliency shifts attention toward voter demands. In such cases, governments may be willing to sideline industry preferences – particularly those of firms with limited structural power – in favour of policies that address public

⁴⁶² Christensen, R.C. and Forstater, M. (2017), *New Players, New Game: The role of the public and political debate in the development of action on international tax issues*, *European Tax Policy Forum Research Paper*, p24.

outrage. Therefore, the passing of unilateral tax reforms is expected only when political salience is high enough to counterbalance business opposition.

This chapter tests these hypotheses in the case of the United Kingdom. It analyses the influence of political salience and national economic interests in the adoption of tax reforms aimed at cross-border multinationals, with a particular focus on large technology companies.

The chapter thereby enhances our understanding of how political salience, driven by political entrepreneurs or legacy media, shapes politics in post-industrial liberal democracies, offering a counterpoint to supply-side explanations that emphasise the predetermined preferences of policymakers – be they influenced by corporate interests, party ideology, or technocratic expertise.

2. The Eruption of Political Salience

This chapter examines how rising political salience enabled tax reforms in the United Kingdom. The core argument of this research is that salience functions as a key driver of reform, providing policymakers with the political space and momentum required to advance new proposals. As the preceding chapter on France demonstrated, the literature on attention and salience is deeply interconnected. Increased attention to a particular issue enhances the likelihood that it will become politically salient – that is, recognised in both the public and political arenas as a matter of priority.

Kingdon (1984) theorised policy change as a process wherein political salience transforms a condition into a recognised problem, elevating it on the political agenda and thereby opening a window of opportunity for reform. Within this framework, issue intrusion – when previously low-profile matters break into mainstream debate – enables reformers to gain traction. Drawing on this theoretical lens, this chapter contends that political salience was a driver of tax reforms in the UK.

Put differently, the degree of political salience regarding how multinationals – especially major tech firms – were taxed varied over time. This chapter traces how that concern evolved and how it correlated with successive attempts at reform.

Forstater and Christensen (2017) have already underscored the critical role of salience in enabling international tax reform, particularly in the UK⁴⁶³. They describe salience as a gradient force and put

⁴⁶³ Christensen, R.C. and Forstater, M. (2017), *New Players, New Game: The role of the public and political debate in the development of action on international tax issues*, *European Tax Policy Forum Research Paper*, pp41-42.

forward the metaphor of ‘the spark that lights the prairie fire’. According to them, long-term structural pressures gradually ‘dried out the prairie’, rendering the policy environment highly combustible. When revelations of tax avoidance by large multinationals reached the front pages, they ignited a widespread political firestorm.

To confirm the salience theory, evidence must show that heightened media attention preceded the initiation or acceleration of tax reforms. In other words, increased salience must appear as a precondition for reform efforts to be seriously pursued. This chapter evaluates whether the timing of UK tax reforms aligns with spikes in media coverage and political interest concerning the taxation of multinationals.

To this end, the research draws on data from Lexis Nexis, the world’s largest repository of public records and media coverage⁴⁶⁴. The search provides an overview of the frequency with which the issue of taxing tech multinationals appeared in UK media. These results help establish the research timeframe and serve to test whether successful tax reforms corresponded with surges in political salience.

The search begins in 2009, which marks the first notable wave of media coverage in the UK on tax avoidance by multinationals, particularly in *The Guardian*. The data indicate that, until 2018, media coverage centred on a single company: Google. From 2018 onwards, however, references to the broader issue of taxing Big Tech increased significantly, surpassing the frequency of mentions of the more specific term ‘Google tax’.

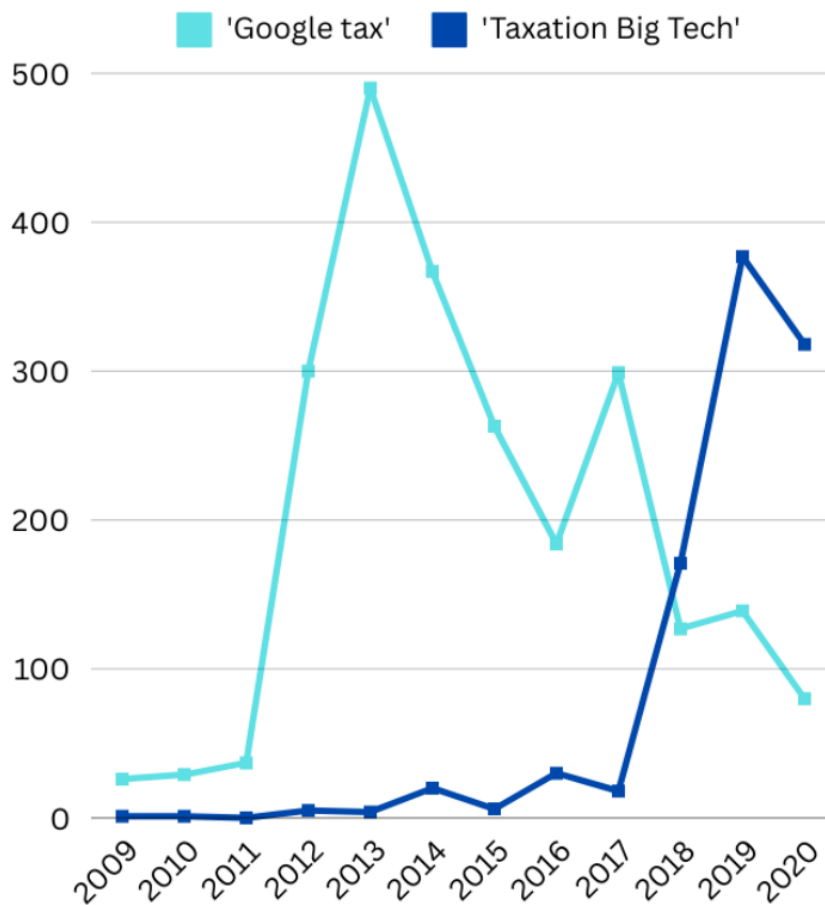
The Lexis Nexis data suggest that 2019 represented the peak of public attention to the issue, with a steep increase beginning in 2018. Prior to 2017, the keyword ‘taxation of Big Tech’ appeared in no more than 30 articles per year. In 2018 – the same year the UK’s digital services tax (DST) was announced – coverage rose sharply to 171 articles, more than doubling to 377 in 2019. It remained high in 2020, with 318 articles recorded.

Between 2010 and 2016, searches for ‘Google tax’ yield between 0 and 490 annual publications, while those for ‘taxation of Big Tech’ result in only 0 to 30. By contrast, from 2018 to 2020, coverage of the ‘Google tax’ ranges between 80 and 139 articles per year, while ‘taxation of Big Tech’ rises substantially to between 171 and 377 publications annually. Notably, mentions of ‘Google tax’ are inflated by substantial coverage in television and radio broadcasts, highlighting that the issue had entered mainstream media channels beyond print journalism.

⁴⁶⁴ Nexis database, *LexisNexis*, accessed between August 2024 – January 2025.

The accompanying graph plots publication years along the x-axis and the number of media references along the y-axis. For readers without access to colour visuals, the line beginning at a higher point and declining represents mentions of the ‘Google tax’, while the line starting lower and rising steadily reflects coverage of the broader ‘taxation of Big Tech’.

Graph 2: Shifting Frames in Media Coverage of Big Tech Tax Policy in the UK (2009-2020)



These findings indicate that the eruption of political saliency indeed preceded the passing of tax reforms in the UK. Not only did media attention surge before policy change occurred, but it also influenced the framing of the issue in political discourse. Early proposals were framed narrowly around Google and were commonly referred to as the ‘Google tax’ in both media and parliamentary discussions. From 2018 onward, as the media spotlight expanded to encompass the broader tech sector, the terminology evolved to the ‘GAFA tax’, referencing Google, Apple, Facebook, and Amazon.

This shift in framing illustrates a wider transition in media attention and governments' approaches – from targeting specific firms to addressing an entire industry. It underscores the role of media narratives in amplifying political salience and shaping the contours of policy debate. These findings provide initial evidence of the crucial role that political salience played in triggering UK tax reform. The sections that follow will explore in greater depth how salience evolved over time and how it shaped the formulation and implementation of policy responses from the early 2010s onwards.

2.1. The Rise of Political Salience in Tax Reform (2010-2014)

In recent years, political scrutiny over multinational tax practices in the UK has grown, with particular attention given to large tech companies like Google, Amazon, and Starbucks. This chapter explores the rise of political salience around tax reform. It tests whether the issue of how to tax multinationals gained heightened visibility in the years following the 2008 financial crisis, and whether policymakers responded to this surge in public attention by advancing new tax reforms.

For the salience-based theory to hold, the findings should demonstrate a clear correlation between increased public and media attention to the taxation of multinationals and the adoption of new policy measures addressing these issues.

2.1.a. The Early 2010s: The Build-up of Public Attention on the Taxation of Multinationals

Legacy media – defined as long-standing, established news organisations – plays a central role in shaping the degree of salience of an issue. As outlined in the theoretical chapter, the literature positions legacy media as a key policy actor due to its central role in the information chain. As Jones and Baumgartner (2005) argue in their theory of information processing, the media acts as a primary filter through which information is selected, processed, and disseminated.

The literature has identified three specific ways in which legacy media contributes to the salience of a policy issue. First, through its 'discursive power', media outlets can generate and sustain attention around a story, often creating what has been termed a 'media storm'⁴⁶⁵. Second, its 'framing power' shapes how issues are presented, influencing public understanding and interpretation. Third, its 'priming power' influences the perceived importance of issues, elevating their priority among voters and political elites alike.

⁴⁶⁵ Boydston et al. (2014), The importance of attention diversity and how to measure it. *Policy Studies Journal*, Vol.42, Issue 2, pp173–196, defined a 'media storm' based on three criteria: there needs to be an explosive increase in attention from one week to the next (distinctiveness), with front-page stories (prominence) sustained over at least a week (frequency) – see earlier findings in the Empirical Chapter on France, p98.

The Guardian played a pioneering role in raising the degree of salience on tax avoidance by multinationals. In 2007, it published the first article in what would become its long-running ‘Tax Gap’ series, headlined ‘Revealed: how multinational companies avoid the taxman’⁴⁶⁶. A second wave of reporting followed in February 2009, focusing on British multinationals across various sectors, as well as the involvement of the Big Four accountancy firms⁴⁶⁷. ‘Firms’ secret tax avoidance schemes cost UK billions’, *The Guardian*’s investigative team reported⁴⁶⁸.

From this point onwards, media scrutiny increasingly centered on the US tech giant Google. In April 2009, multiple outlets ran prominent stories criticising the company’s tax arrangements, which was seen as aggressive fiscal optimisation by the media and politicians.

The Sunday Times broadcaster and commentator Robert Watts wrote in April 2009⁴⁶⁹:

‘Google avoids £100m UK tax ... Google, the internet giant with the motto “don’t be evil”, avoids paying more than £100m a year in UK tax, despite pulling annual revenues of more than £1.25 billion’,

A day after *The Sunday Times* publication, *The Guardian* added⁴⁷⁰:

‘Google accused of UK tax avoidance: 90% of British revenue routed through Ireland’

The Guardian also added⁴⁷¹:

‘Google, which has an estimated 90% market share of UK internet searches, last year used a cross-border network of subsidiary companies to ensure it did not pay a penny in corporation tax on its £1.6bn advertising revenues in Britain’.

These media articles continued throughout the year. ‘Google “dodges” tax bill’, headlined *The Sunday Times* in December 2009⁴⁷². ‘Google pays no tax on £1.6bn; Google avoids £450m in British taxes’, doubled down *The Sunday Times* on the same day⁴⁷³.

⁴⁶⁶ ‘Revealed: how multinational companies avoid the taxman’, *The Guardian*, 6 November 2007.

⁴⁶⁷ ‘Offshore – and out of reach to the Revenue’, *The Guardian*, 3 February 2009.

⁴⁶⁸ ‘Firms’ secret tax avoidance schemes cost UK billions’, *The Guardian*, 2 February 2009.

⁴⁶⁹ ‘Google avoids £100m UK tax’, *The Sunday Times*, 19 April 2009.

⁴⁷⁰ ‘Google is accused of UK tax avoidance’, *The Guardian*, 20 April 2009.

⁴⁷¹ ‘Google’s subsidiaries allow company to avoid £450m tax on UK advertising’, *The Guardian*, 20 December 2009.

⁴⁷² ‘Google “dodges” tax bill’, *The Sunday Times*, 20 December 2009.

⁴⁷³ ‘Google pays no tax on £1.6bn in Britain’, *The Sunday Times*, 20 December 2009.

The media's sustained focus on Google began to prompt political responses. In September 2009, Financial Secretary to the Treasury Stephen Timms declared to a group of industry experts that 'tax is a morale issue'⁴⁷⁴.

Vince Cable, then Deputy Leader of the Liberal Democrats, directly criticised Google for⁴⁷⁵:

'Being one of a number of companies that are based here, have UK employees and use local services and infrastructure but try to pay their taxes elsewhere when they think they can get away with paying less tax ... The government needs to be much firmer in stopping it ... The more tax that companies like Google avoid, the more the tax burden falls on the rest of the public'.

In April 2010, the government's digital adviser Lord Puttnam described the situation as 'outrageous', pointing out that 'despite generating UK revenue of over £1.25bn, a 2009 report showed that Google paid UK corporation tax of just £600,000 in 2007'⁴⁷⁶.

Despite these growing concerns, no policy changes were implemented during this period. Conservative MP John Whittingdale, Chair of the Culture, Media and Sport Committee, dismissed proposed reforms⁴⁷⁷:

'Here is a company making lots of money so let's slap a tax on them'.

An official at the Department for Business, Enterprise and Regulatory Reform confirmed that 'there are no plans to impose new taxes'⁴⁷⁸.

Business actors also pushed back. A Google spokesperson described the proposals as misguided and ill-timed⁴⁷⁹:

'It would be strange to come up with a new tax proposal a week after the budget. Especially an idea that was rejected in France because it would have penalised a growth industry in the middle of a recession ... The Government should be encouraging companies who are creating jobs not punishing them with higher costs. What's more, this proposal would hit commercial broadcasters and newspapers who also make money from online advertising'.

⁴⁷⁴ 'Avoiding tax robs our public services, declares minister', *The Guardian*, 19 September 2009.

⁴⁷⁵ 'Google is accused of UK tax avoidance', *The Guardian*, 20 April 2009.

⁴⁷⁶ 'Google given dressing down by Lord Puttnam', *The Telegraph*, 10 April 2010.

⁴⁷⁷ 'Tax Google to help BBC, say ministers', *Daily Mail*, 4 May 2009.

⁴⁷⁸ *Idem*.

⁴⁷⁹ *Idem*.

In October 2010, a major exposé by Bloomberg journalist Jesse Drucker further elevated the debate. His report detailed how multinationals shifted profits to low-tax jurisdictions via transfer pricing loopholes, concluding⁴⁸⁰:

‘Google 2.4% rate shows how \$60 billion is lost to tax loopholes’.

The New Yorker added⁴⁸¹:

‘Aggressive tax avoidance has become the standard practice at many American-based multinationals, particularly at technology companies such as Apple, Google and Microsoft’.

British media echoed these findings. *The Independent* titled on October 22nd, 2010⁴⁸²:

‘Google under fire for using tax loopholes to save \$3bn’.

The same newspaper also added in a separate article⁴⁸³:

‘The Internet giant saves its billions ... Google has paid no tax in Britain since 2007’.

In response, Business Secretary Vince Cable urged the company to pay its ‘fair share’⁴⁸⁴.

This first body of evidence on the involvement of the media in the policy process is key. In line with what scholars such as Regan and Kneafsey (2020) argue, these findings show that media coverage influenced citizens’ attitudes and in turn policy decisions. There is a close link between the multiplication of media coverage, the rise in political salience, and the passing of new tax reforms.

The same month of Drucker’s publication, in October 2010, controversy also erupted over a longstanding tax dispute between HMRC and the British multinational company Vodafone, which had been settled out of court. Although it was not a tech company, the significant coverage around the tax affairs of the multinational increased public attention on the taxes paid by other multinationals operating in the UK. Its longstanding tax dispute with the tax authorities was settled for an amount disputed by investigative journalists from *Private Eye*, and the story quickly spread onto the headlines of other

⁴⁸⁰ ‘The tax haven that’s saving Google billions’, *Bloomberg*, 21 October 2010.

⁴⁸¹ ‘Apple’s tax dodges: where’s the public outrage?’, *The New Yorker*, 21 May 2013.

⁴⁸² ‘Google under fire for using tax loopholes to save \$3bn’, *The Independent*, 22 October 2010.

⁴⁸³ ‘How the Internet giant saves its billions’, *The Independent*, 22 October 2010.

⁴⁸⁴ *Idem*.

newspapers⁴⁸⁵. ‘There is no question of Vodafone having an outstanding tax liability of £6bn. That number is an urban myth’, responded an HMRC spokesperson⁴⁸⁶.

Nonetheless, the settlement sparked national outrage, and protesters started gathering around Vodafone shops⁴⁸⁷. UK Uncut, a grassroots campaign group, was formed in protest, leading demonstrations outside Vodafone stores across the country. Within six weeks, over 30 stores had been shut down by protesters, and an estimated 30,000 people had participated in the campaign⁴⁸⁸.

Media pressure remained high throughout 2011. ‘Google’s £6bn of UK revenue but only £8m in corporation tax’, reported *The Evening Standard* in May 2011⁴⁸⁹. ‘Google avoids £3bn tax bill over five years’, stated *The Times* the same month⁴⁹⁰.

The Evening Standard doubled down following the publication of Google accounts in July 2011⁴⁹¹:

‘Britain loses out in Google’s tax avoidance ... Accounts for Google UK Limited, just fled at Companies House, showed it made a pre-tax loss of £22 million on turnover of £240 million ... Google Inc’s profit before tax was £6.98 billion last year. Observers suggest that on that basis, UK profits could be 10% of that, or close to £700 million’.

The Daily Mail and *The Express* also ran stories under headlines such as ‘Google pays just £61 million to UK tax’⁴⁹² and ‘Google in tax storm’⁴⁹³. A year later, in April 2012, former Channel 4 chair Luke Johnson accused the company of ‘leeching from Britain’, ‘paying just 2.5% corporation tax on their overseas earnings surely has the risk to damage their reputation’⁴⁹⁴.

What is more, tech executives engaged directly with the press to defend the company’s tax position. A spokesman for Google stressed to *The Express* the ‘obligation to our shareholders to set up a tax-efficient structure and ours is compliant with the tax rules in all the countries where we operate. We make a substantial contribution to local and national taxes’⁴⁹⁵.

⁴⁸⁵ ‘Vodafone’s tax case leaves a sour taste’, *The Guardian*, 22 October 2010.

⁴⁸⁶ ‘Vodafone and tax protests’, *Tax Research*, 27 October 2010.

⁴⁸⁷ ‘Vodafone stores face more protests over alleged tax avoidance’, *The Guardian*, 4 November 2010.

⁴⁸⁸ ‘UK Uncut protesters spied upon by undercover police’, *The Guardian*, 3 December 2010.

⁴⁸⁹ ‘Google’s £8bn of UK revenue but only £8m in corporation tax’, *The Evening Standard*, 16 May 2011.

⁴⁹⁰ ‘Google avoids £3bn tax bill over five years’, *The Times*, 30 May 2011.

⁴⁹¹ ‘Britain loses out in Google’s tax avoidance’, *The Evening Standard*, 20 July 2011.

⁴⁹² ‘Google pays just 60M to UK taxman’, *Daily Mail*, 21 July 2011.

⁴⁹³ ‘Google in tax storm’, *The Express*, 21 July 2011.

⁴⁹⁴ ‘Google UK’s £2bn heightens tax row’, *The Standard*, 11 April 2012.

⁴⁹⁵ ‘Google in tax storm’, *The Express*, 21 July 2011.

Google's Executive Chairman Eric Schmidt went further, telling an audience at the Edinburgh International Television Festival in August 2011:

'We could pay more tax but we would have to do so voluntarily. It's called paying the legally minimum amount of tax required ... We love Britain. If Britain changes its tax laws, we will pay taxes in accordance with those laws'⁴⁹⁶.

Media coverage was not limited to tech multinationals. In October 2011, further controversy erupted when HMRC solicitor Osita Mba disclosed details of a confidential tax settlement between HMRC and Goldman Sachs. Critics described it as a 'sweetheart deal' that allowed the bank to write off £10 million⁴⁹⁷. Building on momentum from earlier cases, media scrutiny expanded to include Starbucks.

In October 2012, *Reuters* journalist Tom Bergin revealed that Starbucks had earned more than £3 billion in UK revenue since 1998 but had paid only £8.6 million in tax⁴⁹⁸. In contrast, McDonald's, with comparable UK profits, had paid £80 million. The story became a flashpoint in the political debate.

The fallout triggered institutional responses. The National Audit Office appointed a judge to review high-level tax settlements, and HMRC's head, Dave Hartnett, publicly admitted to 'mistakes' in the Vodafone and Goldman Sachs deals⁴⁹⁹. In response, Cabinet Secretary Sir Gus O'Donnell appointed two additional commissioners to oversee future tax settlements between HMRC and large companies.

The evidence above is significant as it highlights the influence of political pressure, and more specifically media coverage, on institutional actions related to tax reforms. In the wake of media revelations about tax loopholes exploited by large corporations, the government faced mounting demands to revise tax legislation.

2.1.b. 2012-2014: The PAC Hearings and Media Coverage Fueled Public Outrage Over Multinational Tax Contributions

In exploring the political salience of tax reforms, this research not only tracks the timeline of political focus and changes in tax policies but also delves into the underlying causes driving this focus. Specifically, it draws from the attention-based literature to examine the role of political intermediaries

⁴⁹⁶ 'Google says it would pay more tax', *The Sunday Telegraph*, 28 August 2011; Eric Schmidt, James MacTaggart Lecture 2011, Edinburgh International Television Festival, *Youtube*, 26 August 2011.

⁴⁹⁷ 'Revenue to appear in court over Goldman Sachs 'sweetheart' deal', *The Guardian*, 18 April 2012.

⁴⁹⁸ 'Special Report – How Starbucks avoids UK taxes', *Reuters*, 15 October 2012.

⁴⁹⁹ 'Hartnett denies misleading MPs and says sorry for interest 'mistake'', *Tax Journal*, 13 October 2011; 'HMRC tax deal with Vodafone 'may have been illegal'', *The Guardian*, 6 December 2011.

in directing attention towards specific issues. The hypothesis here suggests that political saliency was nurtured and channelled by individuals and entities with the platform to intensify attention to the tax reform issue.

Scholars like Christensen and Forstater (2017)⁵⁰⁰ have highlighted the role of ‘political champions’ in pushing tax policy debates into the limelight. Similarly, Baumgartner and Jones (2005)⁵⁰¹ discuss how politicians can bring issues that were previously off the political radar to the forefront, while Culpepper and Lee (2022)⁵⁰² look at how U.S. Senator Carl Levin ‘marshalled the force of public opinion’ to pass more stringent financial regulation.

For this hypothesis to hold, the findings need to demonstrate that these political intermediaries played a critical role in sparking and maintaining the political saliency of the tax reforms under study. It is expected that the increased focus on how to tax multinationals, particularly Big Tech, can be traced back to the actions of these intermediaries, who were able to mobilise and sustain political saliency.

This section specifically examines the role of the Public Accounts Committee (PAC) in amplifying political saliency around the issue of multinational taxation and its influence on tax reforms. At the helm of the PAC was Margaret Hodge MP, who served as Chair from 2010. Before her tenure in Parliament, Hodge had a long political career, starting with the Islington Council from 1973 to 1994 and holding various ministerial posts from 1998 to 2010 under the Blair-Brown government.

Once Hodge became Chair of the PAC, she used her position to advocate for tax reforms aimed at multinationals. The PAC’s investigations began in 2011 with Vodafone and Goldman Sachs, then expanded to include US giants like Google, Starbucks, and Amazon, as well as the major tax firms Deloitte, Ernst & Young, KPMG, and PwC in 2013⁵⁰³. The hearings involving these companies would become central to media coverage in the following years. Following a meeting between Hodge and the investigative journalist Tom Bergin, the PAC started looking at ‘a dozen companies whom the press had highlighted’⁵⁰⁴.

The PAC’s first hearing with multinational companies took place in November 2012. Google, Amazon and Starbucks were invited to give evidence to the committee ‘as to why it appears that they do not pay their fair share of corporation tax in the UK’⁵⁰⁵.

⁵⁰⁰ Christensen, R.C. and Forstater, M. (2017), *New Players, New Game: The role of the public and political debate in the development of action on international tax issues*, *European Tax Policy Forum Research Paper*.

⁵⁰¹ Baumgartner, F. R. and Jones, B.D. (2005), *The Politics of Attention*, Chicago: University of Chicago Press.

⁵⁰² Culpepper, P. and Lee, T. (2022), *The Art of the Shitty Deal: Media Frames and Public Opinion on Financial Regulation in the United States*, *Socio-Economic Review*, Vol.20, Issue 2, pp635-657.

⁵⁰³ House of Commons, Committee of Public Accounts, *The work of the Committee of Public Accounts 2010-2015*, 23 March 2015.

⁵⁰⁴ Hodge, M. (2016), *Called to account*, *Abacus Editions*, p76.

⁵⁰⁵ House of Commons, Committee of Public Accounts, *Minutes of Evidence*, HC 716n Session 2012-13, 12 November 2012, p8.

This session marked a pivotal moment in raising political salience. The interaction between Hodge and Google's Matt Brittin was widely covered and helped shift the debate into a highly charged political and moral arena⁵⁰⁶, particularly Hodge's pointed remark⁵⁰⁷:

'We're not accusing you of being illegal, we're accusing you of being immoral'.

A quote like this is enlightening: it underscores the deeply political nature of the debate over how multinationals should be taxed. As the Financial Secretary to the Treasury told industry experts three years earlier, 'tax is a moral issue'⁵⁰⁸.

The PAC's report, published on December 3rd, 2012, was damning⁵⁰⁹. It concluded that multinationals were exploiting legal structures to shift profits abroad, thus evading UK taxes⁵¹⁰:

'The evidence we took from large corporations was unconvincing and, in some cases, evasive. HMRC also lacked clarity when trying to explain its approach to enforcing the corporation tax regime. The inescapable conclusion is that multinationals are using structures and exploiting current tax legislation to move offshore profits that are clearly generated from economic activity in the UK'

On the day the report was released, Hodge appeared on BBC, stressing the need to 'name and shame' companies that avoided taxes⁵¹¹. She told the BBC in another interview⁵¹²:

'We want a level-playing field, and at the moment the big corporations are getting an unfair advantage because they are avoiding paying corporation tax, while the local corner coffee shop or bookshop is being harassed by the tax authorities for their money'

Hodge also told the BBC that HMRC should be 'more aggressive and assertive in confronting corporate tax avoidance ... (they) just got to get a grip' on tax avoidance⁵¹³.

⁵⁰⁶ 'Amazon, Google and Starbucks accused of diverting UK profits', *The Guardian*, 12 November 2012.

⁵⁰⁷ House of Commons, Committee of Public Accounts, *Minutes of Evidence*, HC 716n Session 2012-13, 12 November 2012, Q485 Chair.

⁵⁰⁸ 'Avoiding tax robs our public services, declares minister', *The Guardian*, 20 September 2009.

⁵⁰⁹ House of Commons, Committee of Public Accounts, *HM Revenue and Customs: Annual Report and Accounts*, 19th Report, HC 716, 3 December 2012.

⁵¹⁰ 'More resources for HMRC after MPs attack "outrageous" global business tax avoidance', *Pinsent Masons*, 3 December 2012.

⁵¹¹ 'HMRC tax collection : Margaret Hodge and Jesse Norman', *BBC*, 3 December 2012.

⁵¹² 'Revenue and Customs urged to get tough on corporation tax', *BBC*, 3 December 2012.

⁵¹³ 'Margaret Hodge: HMRC should "get a grip" on tax avoidance', *BBC*, 3 December 2012.

In conversation with Conservative MP Jesse Norman, Hodge asserted that corporation tax was ‘almost becoming voluntary’. The latter, however, warned against the ‘very messy and possibly dubious’ situation of the Government ‘naming and shaming firms over tax issues’⁵¹⁴.

Hodge’s interventions sparked significant media coverage, with outlets publishing critical reports. These outlets framed corporate tax avoidance as not only a legal issue but also a moral failing, linking the conduct of these multinationals to fairness and ethical behaviour in society. ‘Tax avoidance schemes are being used by firms from Amazon to Google’, wrote *The Independent* in its headline⁵¹⁵.

The *Financial Times* also added⁵¹⁶:

‘Tax dodgers – corporate and individual – are running out of places to hide... To function well societies demand more of individuals and companies: that they avoid breaking the letter of the law. Call it moral obligations or corporate responsibility, but the market economy cannot separate itself entirely from this broader notion of fairness’.

The Guardian, too, published a long analysis on the state of affairs in policy: ‘a government so quick to join the race to the bottom is no friend of tax reform’, the paper condemned⁵¹⁷. ‘Google avoids tax on £10bn after doubling amount of money it puts into company in Bermuda tax haven’, wrote the *Mail Online*⁵¹⁸. ‘Google sheltered almost \$10bn in Bermuda last year’, published *The Telegraph*⁵¹⁹.

The public outcry was also covered in both nationwide and local radios. In Nottingham, the famous BBC broadcaster Richard Baker condemned the situation in which⁵²⁰:

‘It’s the little man that pays tax ... (and) large corporations are not paying their share to the UK’.

Beyond media coverage and civil society activism, NGOs played a critical role in shaping the discourse around corporate tax avoidance. Indeed, the active participation of NGOs not only drew greater public attention but also heightened the political saliency of tax reform. Much like a political entrepreneur, NGOs influence the agenda by selecting and promoting particular issues.

⁵¹⁴ ‘HMRC tax collection: Margaret Hodge and Jesse Norman’, *BBC*, 3 December 2012.

⁵¹⁵ ‘Special report: People power forces big business to pay up’, *The Independent*, 9 December 2012.

⁵¹⁶ ‘A taxing problem for Google et al...’, *Financial Times*, 4 December 2012.

⁵¹⁷ ‘A government so quick to join the race to the bottom is no friend of tax reform’, *The Guardian*, 9 December 2012.

⁵¹⁸ ‘Google avoids tax on £10bn after doubling amount of money it puts into company in Bermudan tax haven’, *Mail Online*, 10 December 2012.

⁵¹⁹ ‘Google sheltered almost \$10bn in Bermuda last year’, *The Telegraph*, 10 December 2012

⁵²⁰ ‘Why it’s the little man that pays tax; Richard Baker’, *Nottingham Evening Post*, 10 December 2012

Civil society groups, including UK Uncut, Greenpeace, Oxfam, and ChristianAid joined forces with activist groups like the Tax Justice Network (TJN) and UK Uncut in protest against the coffee chain's tax practices⁵²¹. Both Christian Aid and ActionAid had launched their first tax-focused campaigns in 2008, framing 'tax dodging' as a contributor to poverty and economic inequality⁵²². These organisations presented international tax issues as inherently moral, linking them to underdevelopment and the broader struggles of the Global South.

Alice Macdonald, Executive Director of Policy, Advocacy, and Campaigns at Save the Children emphasised the role of public rallying in making tax campaigns successful⁵²³:

'At the beginning the campaign got too tied up in the technicalities. When the campaign turned tax into an issue of social justice it really took off. So don't always focus on facts and stats but focus on values and the impact on people'.

These NGOs organised protests and boycotts against companies like Starbucks, claiming that tax avoidance was contributing to inequality and social injustice. Sarah Green, a UK Uncut activist, criticised the status quo⁵²⁴:

'It is an outrage that the Government continues to let multinationals like Starbucks dodge millions in tax while cutting vital services such as refuges, creches and rape crisis centres... The Government could easily bring in billions by clamping down'.

The TJN, a UK-based NGO, was particularly influential in mobilising public opinion, raising the degree of salience. Its campaigns consistently connected tax avoidance with poverty, underdevelopment, and global inequality. Richard Murphy, founder of the TJN, became a prominent voice advocating for tax reform. His work on quantifying the 'tax gap' proved pivotal in public debates on corporate accountability.

'In 2007 I did the first Tax Gap series story for *The Guardian*',
Murphy explained in interview⁵²⁵.

'It was the first time there was a real front-page story about corporate tax abuse in a large newspaper',

⁵²¹ 'Special report: How Starbucks avoids UK taxes', *Reuters* 15th October 2012

⁵²² ActionAid (2008), *Taxing Solutions: How Tighter Tax Rules for Big Business Could Help End Poverty*; ChristianAid (2008), *Death and Taxes: The True Toll of Tax Dodging*.

⁵²³ 'How the tax fight is being won', *Global Dashboard*, 16 November 2015.

⁵²⁴ 'Special report: People power forces big business to pay up', *The Independent*, 9 December 2012.

⁵²⁵ interview 39.

reinforced Alex Cobham, director of the Tax Justice Network⁵²⁶.

By increasing the saliency of international tax issues, the NGO helped generate momentum for reform. A clear example is TJN's development of country-by-country reporting – a proposal first published in 2003, which was later adopted as a recommendation by the OECD in its 2013 report to the G8⁵²⁷.

Murphy continued to frame tax avoidance as a deeply political and socially resonant issue. Writing for *The Guardian* as the European Parliament voted on new corporate transparency rules, he declared: 'Tackling corporate tax avoidance is an alternative to EU austerity'⁵²⁸. Such framing by the TJN and allied NGOs was central to tying the tax reform to wider concerns of fairness, transparency, and corporate responsibility, helping to build political momentum for reform.

Meanwhile, Oxfam, which had historically sidelined tax issues, began engaging with international tax policy after the 2008 financial crisis. Its 2014 'Even It UP!' marked the first time taxation featured prominently in its advocacy agenda. At the same time, think-tanks began to gain traction in mainstream media coverage. In January 2013, just two months after the first Public Accounts Committee hearings with three major U.S. multinationals, a representative from the Tax Foundation described the companies' actions as 'tax planning gymnastics' in an article for the *Financial Times*⁵²⁹.

Existing scholarship match these findings. Seabrooke and Wigan (2015)⁵³⁰ explored how the Tax Justice Network strategically advanced concerns around tax transparency and the use of tax havens. Similarly, Dallyn (2017) provides evidence that TJN played a pivotal role in framing the complex matter of corporate taxation for a broader political audience.

Indeed, this media visibility helped legitimise the issue in the eyes of the public and policymakers alike. It supports the claim that saliency mattered in driving policy change, as the media, business representatives and policymakers alike acknowledged the rise and importance of political saliency.

As Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, later reflected⁵³¹:

⁵²⁶ interview 40.

⁵²⁷ OECD (October 2015), *Addressing the Tax Challenges of the Digital Economy*, Action 13: Country-by-Country Reporting Implementation Package, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁵²⁸ 'Tackling corporate tax avoidance is an alternative to EU austerity', *The Guardian*, 15 December 2015.

⁵²⁹ 'Taxation: Unsafe offshore', *Financial Times*, 13 January 2013.

⁵³⁰ Seabrooke, L. and Wigan, D. (2015), 'How activists use benchmarks: reformist and revolutionary benchmarks for global economic justice', *Review of International Studies*, pp898-903.

⁵³¹ Christensen, R.C. and Forstater, M. (2017), *New Players, New Game: The role of the public and political debate in the development of action on international tax issues*, *European Tax Policy Forum Research Paper*, pp12-13.

‘The Tax Justice Network has been instrumental over the past 10 years in making people understand that paying taxes is key ... they have significantly contributed to trigger the political support necessary to address the distortions of the international tax system’.

These findings on the NGOs’ actions also support a growing body of research highlighting the role of ‘outsider’ organisations in bringing tax issues into the public arena⁵³². Wong (2012)⁵³³ examines how non-governmental organisations help create focal points in political debate, with specific reforms and topics gaining traction after being emphasised in the media. Indeed, the data also reveals that, alongside parliamentary figures, NGOs acted as crucial intermediaries in amplifying the international tax issue on the public stage.

NGOs were not only instrumental in raising awareness but also in driving policy momentum through collaboration with parliamentary officials. For example, Richard Brookes, an investigative journalist at *Private Eye*, played a key role in prompting the Public Accounts Committee (PAC) to scrutinise the tax practices of multinationals. In 2011, he connected a whistleblower from Goldman Sachs to Margaret Hodge, then Chair of the PAC – an act that helped spark a series of high-profile hearings under her leadership. Civil society involvement also brought alternative expertise into the policy discussion⁵³⁴. During these committee sessions, Hodge drew on advice from both investigative journalists and NGOs.

The significance of these collaborations was recognised by the *International Tax Review*, which listed Richard Murphy, founder of TJN, among the most influential figures in tax in 2013. The journal noted his advisory role to the PAC during its hearings on multinational tax affairs⁵³⁵. Hodge herself later acknowledged the importance of these contributions, stating that⁵³⁶:

‘Tax campaigners, whistle-blowers and journalists helped (us) to put the debate about tax avoidance on the map’.

Mick Moore, of the UK-based research centre and NGO International Centre for Tax and Development, similarly remarked⁵³⁷:

⁵³² Lesage, D. and Kaçar, Y. (2013), *Tax Justice through Country-by-Country Reporting: An Analysis of the Ideal Political Journey*, *Berghahn Publishing*; Seabrooke, L. and Wigan, D. (2015), ‘How activists use benchmarks: reformist and revolutionary benchmarks for global economic justice’, *Review of International Studies*; Dallyn, S. (2017), ‘An examination of the political salience of corporate tax avoidance: a case study of the tax justice network’, *Accounting Forum*, Vol.42, Issue 4.

⁵³³ in Dallyn, S. (2017), ‘An examination of the political salience of corporate tax avoidance: a case study of the tax justice network’, *Accounting Forum*, Vol.42, Issue 4.

⁵³⁴ Seabrooke, L. and Wigan, D. (2016), Powering ideas through expertise: professionals in global tax battles, *Journal of European Public Policy*, Vol.23, Issue 3.

⁵³⁵ ‘Richard Murphy’, *International Tax Review*, 11 December 2013.

⁵³⁶ Hodge, M. (2016), *Called to account*, *Abacus Editions*, p377.

⁵³⁷ Christensen, R.C. and Forstater, M. (2017), New Players, New Game: The role of the public and political debate in the development of action on international tax issues, *European Tax Policy Forum Research Paper*, p12

‘Without activists, policymakers at the G8 and the G20, the OECD, the IMF, the European Union, would not be committed as they currently are to design and implement some rather progressive reforms to international corporate tax’.

In sum, the evidence demonstrates how a key parliamentary figure, legacy media and civil society groups functioned as intermediaries who sustained political salience and created pressure for reform. A virtuous circle emerged: the Public Accounts Committee’s engagement drove increased media scrutiny of cross-border tax practices, which in turn kept the issue high on the political agenda.

As the OECD’s tax director acknowledged in an interview with the *Financial Times* in January 2013, the public mood around multinational tax optimisation had shifted significantly⁵³⁸:

‘The aggressive tax planning of the last 20 years was achieved with the complicity of governments themselves to cope with tax competition ... This mindset is seriously changing’.

These findings demonstrate that heightened political salience and intense media coverage had become integral part to the policy debate. The research now shifts focus to how policymakers responded to the surge in political salience and concern surrounding the issue. Substantial evidence shows that politicians actively engaged in the tax reform debate through their public statements, particularly in the aftermath of high-profile parliamentary hearings involving major U.S. multinationals.

The findings align with claims in the literature that media coverage amplifies political salience on a given issue, generating political pressure and prompting a policy response – for instance, Langer and Gruber (2021)’s analysis of the Windrush scandal showed that the eruption of the scandal hinged on the involvement of a legacy media, *The Guardian*. Boydston et al. (2014) argued that a media storm could move an issue to the highest echelon of the government’s policy priority.

In the case of this research, a series of media reports on tax schemes triggered a swift reaction from politicians, illustrating the powerful role of media and political salience in shaping the tempo of political decision-making. These results lend support to issue intrusion scholarship, affirming that the media plays a critical role in policymaking by setting both the tone and the pace of policy debates.

⁵³⁸ ‘Taxation: Unsafe offshore’, *Financial Times*, 13 January 2013.

Indeed, then-Business Secretary Vince Cable denounced corporate tax avoidance as involving ‘appalling stories of abuse’ and labelled it ‘completely unacceptable’, according to a BBC report in November 2012⁵³⁹. He further emphasised the ‘issue about ethical behaviour’ in corporate conduct⁵⁴⁰.

Conservative MP David Davis echoed this sentiment, writing in *The Sunday Times*⁵⁴¹:

‘People have morals, not firms like Starbucks... HMRC must get its house in order to stop companies’ tax tricks ... We need (...) more plans for simpler taxes, lower taxes and fewer loopholes’.

Chancellor of the Exchequer George Osborne similarly condemned multinational companies for not ‘paying their fair share’ and pledged to increase the number of tax inspectors by 2,500 people⁵⁴².

Prime Minister David Cameron also addressed the issue directly, stating to business representatives:

‘We’re playing fair by you; you’ve got to play fair by us’⁵⁴³.

In another media appearance, Cameron remarked that⁵⁴⁴:

‘Big foreign firms “lack scruples” on tax ... I’ve put it right at the top of the agenda for the G8 this year as well as making sure we fix it nationally too’.

The Leader of the Labour Party, Ed Miliband, also weighed in on the matter. He pledged for a new Labour government ‘to act unilaterally to ensure global firms trading in the UK are more transparent about their tax structures’⁵⁴⁵.

Speaking ahead of a Google-hosted event in Hertfordshire, Miliband told the press⁵⁴⁶:

‘I don't think (companies like Google) are living up to their responsibilities at the moment, and I will be very clear about that on Wednesday. It is part of a culture of irresponsibility. If everyone approaches their tax affairs as some of these companies have approached their tax affairs we wouldn't have a health service, we wouldn't have an education system’.

⁵³⁹ ‘Vince Cable attacks corporate “tax abuse”’, *BBC*, 18 November 2012.

⁵⁴⁰ ‘Google accused of doing “evil” over UK tax affairs’, *Channel 4*, 16 May 2013.

⁵⁴¹ ‘People have morals, not firms like Starbucks’, *The Sunday Times*, 9 December 2012.

⁵⁴² HM Treasury, *Autumn Statement 2012: Chancellor’s statement*, Written statement to Parliament, 5 December 2012.

⁵⁴³ ‘Taxation: Unsafe offshore’, *Financial Times*, 13 January 2013.

⁵⁴⁴ ‘Big foreign firms “lack scruples” on tax, says PM’, *The Daily Telegraph*, 5 January 2013.

⁵⁴⁵ ‘Ed Miliband vows to curb corporate tax avoidance’, *The Guardian*, 18 May 2013.

⁵⁴⁶ ‘Miliband pledges tax crackdown’, *Daily Express*, 18 May 2013.

These statements suggest that public outrage, channeled and nurtured by political intermediaries such as parliamentarians or legacy media, was a key force driving the political discourse around reforming tax rules for multinationals – politicians committed to taking concrete action following the new political pressure to act.

At the World Economic Forum in Davos in January 2013, David Cameron delivered a strongly worded speech, which was widely covered in the media⁵⁴⁷. He stated⁵⁴⁸:

‘Companies (who) navigate their way around legitimate tax systems and even low rates with an army of clever accountants ... businesses who think they can carry on dodging that fair share ... to squeeze their tax bills right down, well they need to wake up and smell the coffee, because the public who buy them have had enough ... There are some things that governments want people to do to reduce tax bills, such as investing in a pension, a start-up business or giving money to charity. But there are some forms of avoidance that have become so aggressive that I think is right to say these raise ethical issues’.

The evidence above supports the claim that politicians tend to respond to issues following media coverage, with policy action pursued in the wake of rising political salience. The remainder of this section continues to trace the growing political salience of the issue, as the Public Accounts Committee undertook further examination of the matter.

In Spring 2013, the PAC organised a new high-profile hearing with Amazon, Google, and Starbucks. The hearing followed revelations from *Reuters* on May 1st, 2013, concerning Google’s sales activities in the UK. The report suggested that, contrary to prior testimony by Google’s Vice-President for Northern Europe Matt Brittin, sales were effectively being made by Google’s London office⁵⁴⁹. These claims, based on whistleblower accounts and client testimony, challenged Google’s assertion that all UK sales were routed through its headquarters in Dublin.

As a result, Brittin was recalled to appear before the PAC on May 16th, 2013, alongside representatives from Google’s auditors Ernst and Young and HMRC. The hearing focused on whether Google’s UK team acted as a de facto sales team, which would suggest the company should be taxed on its UK revenues. Brittin told the committee:

⁵⁴⁷ ‘Google will not oppose clampdown on tax avoidance, chairman says’, *The Guardian*, 29 January 2013; ‘Wake up and smell the coffee: G8 must tackle tax evasion, says David Cameron’, *The Independent*, 24 January 2013; ‘Britain to lead global crackdown on tax avoidance, says David Cameron’, *The Telegraph*, 24 January 2013; ‘Cameron tells tax avoiders: wake up and smell the coffee’, *The Times*, 24 January 2013; ‘Google will not oppose clampdown on tax avoidance, chairman says’, *The Guardian*, 29 January 2013.

⁵⁴⁸ Cabinet Office, *Prime Minister David Cameron’s speech to the World Economic Forum in Davos*, 24 January 2013.

⁵⁴⁹ ‘Special Report: How Google UK clouds its tax liabilities’, *Reuters*, 1 May 2013.

‘Clients may feel that we are selling in the UK. But what is very clear is no one in the UK can execute a transaction ... The UK team are selling, but they are not closing’, the company’s vice president for Northern Europe Matt Brittin told the committee⁵⁵⁰.

The Chair of the Public Accounts Committee (PAC), Margaret Hodge, responded pointedly⁵⁵¹:

‘You are a company that says you do no evil and I think that you do evil in that you use smoke and mirrors to avoid paying taxes’

This sharp rebuke amplified the political salience of the issue, and the hearing received substantial media coverage⁵⁵². Political reactions to media coverage and the parliamentary hearings continued, and these were also widely reported – as Boydston (2013) said, ‘media coverage begets coverage’.

In May 2013, following the PAC hearing, Deputy Prime Minister Nick Clegg told a press conference⁵⁵³:

‘I put (the tax issue) directly to (Google chief) Eric Schmidt and other business leaders at a meeting in Downing Street a couple of days ago. We are bringing the tax burden on corporations down by lowering the rate of corporation tax, but in return people have to pay their fair share’.

The *Evening Standard* reported that Clegg stressed to Schmidt that ‘firms must pay their fair share’⁵⁵⁴. *The Times* followed with the headline: ‘Clegg tackled Google chief Eric Schmidt on tax after Cameron ducked issue’⁵⁵⁵, while *The Guardian* also detailed the meeting between the Liberal Democrat leader and Google’s top executive⁵⁵⁶.

Meanwhile, Labour leader Ed Miliband reiterated his criticism of Google, saying⁵⁵⁷:

⁵⁵⁰ House of Commons, Committee of Public Accounts, Oral Evidence, *Tax avoidance-Google*, 16 May 2013, Q136.

⁵⁵¹ *Idem*, Q219.

⁵⁵² ‘Google branded devious over tax arrangements’, *The Guardian*, 16 May 2013; ‘Google denies misleading Parliament in grilling over tax’, *The Telegraph*, 16 May 2013; ‘MP on Google tax avoidance scheme: “I think that you do evil”’, *The Guardian*, 16 May 2013; ‘Google faces fresh grilling by MPs over tax’, *The Telegraph*, 1 May 2013; ‘Google to be quizzed again over UK tax arrangements’, *Progressive Media*, 1 May 2013; ‘Google faces second grilling by Parliament over UK tax avoidance’, *The London Standard*, 1 May 2013; ‘Google recalled to Parliament over claims it has been “economical” with the truth’, Mail Online, 1 May 2013; ‘Google and auditor recalled by MPs to answer tax questions’, *The Guardian* 1 May 2013; ‘Google tax affairs come under renewed scrutiny by UK body’, *Financial Times*, 2 May 2013; ‘Google faces fresh grilling over low tax bills’, *Sky News*, 16 May 2013.

⁵⁵³ ‘Google tackled by Nick Clegg on tax avoidance at No10 meeting’, *The Guardian*, 22 May 2013.

⁵⁵⁴ ‘Firms must pay fair share in tax, Nick Clegg tells Googles’ Eric Schmidt’, *The London Evening Standard*, 22 May 2013.

⁵⁵⁵ ‘Clegg tackled Google chief Eric Schmidt on tax’, *The Times*, 22 May 2013.

⁵⁵⁶ ‘Google tackled by Nick Clegg on tax avoidance at No10 meeting’, *The Guardian*, 22 May 2013.

⁵⁵⁷ ‘UK’s Miliband slams Google on tax’, *Business World*, 22 May 2013.

‘When Eric Schmidt says its (Google’s) current approach to tax is just “capitalism”, I disagree. When Google goes to extraordinary lengths to avoid paying its taxes, I say it’s wrong’.

Miliband’s statement came during an event hosted by the U.S. tech giant and reinforced Labour’s position on greater tax transparency for multinational firms.

The PAC published its report on June 13th, 2013⁵⁵⁸. The evidence indicates that Margaret Hodge’s decision to call the hearings – and the assertive way she chaired them – marked a turning-point in elevating the tax debate into the realm of overt political contestation. It supports the claim that political entrepreneurs act as accelerants of political salience.

Indeed, the available evidence strongly suggests that Hodge’s efforts amplified the salience of the tax issue in highlighting the loopholes in international tax laws. Politicians and the media followed her lead, and the hearings generated a cascade of responses from across the political spectrum.

Margaret Hodge emerged as a pivotal figure in pushing the tax avoidance issue to the forefront of political debate. *The Guardian* wrote that she had ‘rocked the tax world by asking difficult questions’⁵⁵⁹.

Other political figures acknowledged the influence of her leadership. The then-tax minister David Gauke observed⁵⁶⁰:

‘There was quite a lot of noise in that time, you had Margaret Hodge who was running the public accounts committee, she was very aggressive in this area, she had these hearings that were very combative, it sort of struck a chord with public opinion’.

James Chapman, former communications director at HM Treasury, also acknowledged her impact⁵⁶¹:

‘The Speaker of the House John Bercow put a lot of energy toughening up the powers of select committees, and by the time I entered government an appearance of the Chancellor in front of a select committee was a serious thing that we would prepared for days. Becoming a Committee Chair had become a very senior position for MPs, and Margaret Hodge is a perfect example of that. She picked the issue of tax justice, particularly big business getting away with it, and brought a huge amount of energy to it. She undoubtedly created a significant pressure for the government to act’.

⁵⁵⁸ House of Commons, Committee of Public Accounts, *Tax avoidance – Google*, 9th report of Session 2013-14, 13 June 2013.

⁵⁵⁹ ‘Brief brutal and very public: there’s more to Margaret Hodge’s grilling than dramatics’, *The Guardian*, 13 March 2015.

⁵⁶⁰ interview 53.

⁵⁶¹ interview 55.

Edward Troup, former permanent secretary of HMRC reinforced this view, saying⁵⁶²:

‘Margaret believed it was morally wrong, what these companies were doing, and she focused the entire work of the committee on uncovering all of what was going on ... she started a crusade against large corporations’.

Similarly, Dan Neidle, a British tax lawyer and investigative journalist, recalled⁵⁶³:

‘Margaret Hodge was mostly driven by outrage, but couldn’t come out with concrete proposals - as a result we had tax greatly raised in the public minds but just as a problem.’

Thus, the evidence indicates that the PAC hearings sparked an explosion of media coverage and political attention. They also catalysed similar actions in other legislatures⁵⁶⁴. The European Parliament, for instance, began strategically ‘grilling’ corporate representatives to extract information on their tax practices⁵⁶⁵. In the UK, the hearings shifted the policy consensus and added momentum towards corporate tax reform.

Policymakers soon expanded their scrutiny beyond multinationals to include the tax advisers facilitating such practices. In a report released on April 26th, 2013, the PAC criticised the role of tax accountancy firms in helping multinationals minimise their tax liabilities and highlighted their ‘undue influence’ over public policy.

The committee pointed to a ‘conflict of interest’ between tax accountants and HMRC officials, stating⁵⁶⁶:

‘We have seen what look like cases of poacher, turned gatekeeper, turned poacher again, whereby individuals who advise government go back to their firms and advise their clients on how they can use those laws to reduce the amount of tax they pay’.

Bill Dodwell, then Head of Tax Policy at Deloitte, pushed back against the committee’s findings, saying⁵⁶⁷:

⁵⁶² interview 48.

⁵⁶³ interview 16.

⁵⁶⁴ ‘Google, Amazon, Starbucks: the rise of ‘tax shaming’’, *BBC*, 21 May 2013.

⁵⁶⁵ Forstater, M. and Christensen, R. C., ‘New Players, New Game, The role of the public and political debate in the development of action on international tax issues’, European Tax Policy Research Paper, September 2017, p22.

⁵⁶⁶ House of Commons, Committee of Public Accounts, [Tax avoidance: the role of large accountancy firms](#), Forty-fourth report of session 2012-13, Report together with formal minutes, oral and written evidence.

⁵⁶⁷ ‘Big Four accountants wield “undue influence” over UK tax system’, *The Financial Times*, 26 April 2013.

‘We disagree with the committee’s claims that there is a lack of clarity over where we draw the line between acceptable tax planning and aggressive tax avoidance’.

The hearings also placed HMRC’s own conduct under intense scrutiny. The PAC accused the tax authority of failing to challenge questionable arrangements and maintaining overly ‘cosy relationships’ with large firms and accountancy consultations⁵⁶⁸.

At a London event hosted by Oxford University’s Centre for Business Taxation, Hodge remarked⁵⁶⁹:

‘I’m not clear how HMRC makes its judgments. So toughen up, HMRC’.

In an interview with the BBC, she elaborated⁵⁷⁰:

‘HMRC just got to get a grip and get more aggressive ... these things (tax agreements) are not black and white, the big companies negotiate over what they’re allowed to export in terms of their profits ... we have got to get a more tougher style by HMRC ... I would like to see HMRC take more of these companies to court to test the law’.

During a committee session, Hodge told Lin Homer, then head of HMRC⁵⁷¹:

‘I think your staff are being bamboozled’.

Her remark received widespread media coverage. MP Andrea Leadsom echoed this sentiment, arguing that HMRC added further tension to an already charged debate⁵⁷².

As Hodge added⁵⁷³:

‘Whether any company, be it Google or any other, is trading in the UK rather than trading into the UK is a judgement ... we are applying an ounce of common sense and I don’t think your staff are. I think your staff are getting bamboozled by them’.

⁵⁶⁸ House of Commons, Committee of Public Accounts, Tax avoidance, Q160, 31 January 2013; ‘HMRC accused of cosy relationship with firms by PAC’, *The Telegraph*, 26 April 2013.

⁵⁶⁹ ‘Multinational CEOs tell David Cameron to rein in tax avoidance rhetoric’, *The Guardian*, 20 May 2013.

⁵⁷⁰ ‘Margaret Hodge: HMRC should ‘get a grip’ on tax avoidance’, *BBC*, 3 December 2012

⁵⁷¹ ‘Google denies trying to “disguise” sales to cut tax bill’, *The Telegraph*, 16 May 2013

⁵⁷² ‘HMRC to blame over corporation tax row, says MPs’, *The Telegraph*, 30 September 2013

⁵⁷³ House of Commons, Committee of Public Accounts, Oral Evidence, Tax avoidance-Google, 16 May 2013, Q222.

This body of evidence concerning HMRC strongly supports the claim that political saliency plays an active role in driving policy change. It is rare for a tax authority to become the focus of such intense political scrutiny, and the heightened attention significantly amplified political pressure. In response to the parliamentary hearings, HMRC was compelled to review and clarify its methods for calculating the tax liabilities of the UK's largest multinational firms.

Three years later, in January 2016, it was announced that Google had agreed to pay £130 million in back taxes to HMRC. However, the settlement quickly became a flashpoint for political controversy. Critics on the left denounced the amount as inadequate; Labour Shadow Chancellor John McDonnell called it a 'public relations sop'⁵⁷⁴, while the new Public Accounts Committee Chair, Labour MP Meg Hillier, described it as a 'cosy deal'⁵⁷⁵.

In response, the Conservative government deflected blame onto Labour, with Prime Minister David Cameron stating, 'We're talking about tax that should have been collected under a Labour government, raised by a Conservative government'⁵⁷⁶.

As the remainder of this section will demonstrate, political saliency continued to shape the government's agenda, keeping tax reform high on the list of policy priorities.

A new PAC hearing with Google was organised in February 2016, which reignited media coverage. Conservative MP Richard Bacon, addressing a Google Europe executive, remarked⁵⁷⁷:

'This is staining your reputation ... you cannot like the fact that lots of people hate you because of this'.

Hillier added: 'You're living on a different planet'⁵⁷⁸. In its final report, the committee concluded⁵⁷⁹:

The sum paid by Google seems disproportionately small when compared with the size of Google's business in the UK, reinforcing our concerns that the rules governing where corporation tax is paid by multinational companies do not produce a fair outcome'.

Media coverage intensified throughout the year. In September 2013, multiple outlets reported on Google's minimal tax payments in the UK. *The Telegraph* noted that 'Google's UK division paid out

⁵⁷⁴ McDonnell, J. MP, *Twitter*, 22 January 2016.

⁵⁷⁵ Hillier, M. Dame MP, *Twitter*, 23 January 2016.

⁵⁷⁶ 'Google tax : David Cameron defends £130m UK tax deal', *BBC*, 27 January 2016.

⁵⁷⁷ House of Commons, Committee of Public Accounts, [Corporate tax settlements](#), Oral Evidence Q131, 11 February 2016.

⁵⁷⁸ *Idem*, Q45.

⁵⁷⁹ House of Commons, Committee of Public Accounts, [Corporate tax settlements](#), Oral Evidence, 11 February 2016, p3.

just £12m in corporation tax⁵⁸⁰. The *Financial Times* reported that ‘Google UK paid £11.2m in corporate tax’⁵⁸¹, while the *London Evening Standard* cited a figure of £11.6 million⁵⁸². *The Guardian* framed the issue even more starkly: ‘Google “shows contempt for UK taxpayer”’⁵⁸³.

The PAC’s influence – and particularly Hodge’s role – was widely recognised in the media. In September 2013, the *Financial Times* reported that⁵⁸⁴:

Google was ‘at the centre of an international row over multinationals’ tax planning, provoking attacks from politicians in several countries including the UK where Margaret Hodge, chair of the Public Accounts Committee, described its practices as immoral’.

Outlets continued to investigate the complex structures used by multinationals to move European profits to low-tax jurisdictions⁵⁸⁵. The *Financial Times* explained that Google ‘routes the profits through the Netherlands to avoid withholding taxes, using a structure known as a Dutch sandwich’⁵⁸⁶.

British media also closely followed related developments abroad. In March 2013, *The Telegraph* reported that Germany had passed a new ‘Google tax’, compelling the company to pay royalties to newspapers when publishing excerpts from their content⁵⁸⁷.

French tax reforms were also covered, with headlines such as: ‘France explores options to tax online commerce’, on the *BBC*⁵⁸⁸, and ‘France preparing tax on Apple and Google to fund culture’, on *The Telegraph*⁵⁸⁹. *The Daily Telegraph* also added that ‘France looks to take a bite out of Apple to fund arts’⁵⁹⁰.

Interestingly, the political and media focus remained narrowly fixed on foreign tech giants, even as domestic multinationals used similar tax strategies. For example, in November 2012, *The Observer* revealed that three of the UK’s major water suppliers were paying little to no tax⁵⁹¹ – yet this revelation did not attract comparable attention.

⁵⁸⁰ ‘Google’s UK division paid £12m in corporation tax in 2012’, *The Daily Telegraph*, 30 September 2013; ‘Google’s UK division paid £12m in corporation tax in 2012’, *The Telegraph*, 29 September 2013.

⁵⁸¹ ‘Google UK paid £11.2m in corporate tax’, *Financial Times*, 30 September 2013.

⁵⁸² ‘Google’s UK tax bill is revealed as just £11.6m’, *The London Standard*, 30 September 2013.

⁵⁸³ ‘Google “shows contempt for UK taxpayer”’, *The Guardian*, 1 October 2013.

⁵⁸⁴ ‘Google UK paid £11.2m in corporate tax’, *Financial Times*, 30 September 2013.

⁵⁸⁵ as explained in the previous chapter, see p76.

⁵⁸⁶ ‘Google moves \$9.8bn revenues to Bermuda’, *Financial Times*, 11 October 2013.

⁵⁸⁷ ‘German “Google tax” to force search engines to pay for showing news extracts’, *The Telegraph*, 1 March 2013.

⁵⁸⁸ ‘France explores options to tax online commerce’, *BBC*, 4 March 2013.

⁵⁸⁹ ‘France preparing tax on Apple and Google to fund culture’, *The Telegraph*, 13 May 2013.

⁵⁹⁰ ‘France looks to take a bite out of Apple to fund arts’, *The Daily Telegraph*, 14 May 2013.

⁵⁹¹ ‘Water companies pay little or no tax on huge profits’, *The Guardian*, 10 November 2012.

Likewise, the 2014 Lux Leaks scandal exposed how firms across many industries – beyond tech – were using Luxembourg tax rulings to minimise liabilities. *The Guardian* published a long investigation into UK-founded multinationals such as the pharmaceutical giant Shire, financial trading group Icap, and the hand dryer and vacuum cleaner Dyson James Group⁵⁹². The *BBC* covered similar practices by Disney and Skype⁵⁹³. Still, the long-term policy and media focus – particularly around the digital services tax – remained centered on Big Tech⁵⁹⁴.

2.1.c. Business Actors Were Affected by the Rise of Political Saliency

A key piece of evidence supporting the influence of political saliency on the direction of tax policy reform is the reaction of business actors to it. If political saliency played a role in shaping the tax reform process, then industry players are expected to have engaged publicly with the debate, whether because they were asked to do so or because they aimed to win over the public in the midst of negative media coverage.

The findings show that the force of the PAC’s hearings, and the intense aftermath, prompted business representatives to engage with this new spotlight they were given. The US National Foreign Trade Council – a lobby group representing U.S. multinationals with interests in trade and tax – publicly criticised the Public Accounts Committee. In the *Financial Times*, they asked⁵⁹⁵:

‘Why have they singled out only American companies for this scrutiny?’.

The committee’s actions were significant enough that some companies reportedly considered relocating operations. Margaret Hodge recalled a Treasury minister telling her that⁵⁹⁶:

‘A number of global companies (were telling the Treasury minister) that they would not locate in the UK because of the possibility that they might be grilled by the Public Accounts Committee about their tax’.

Several business leaders voiced frustration at what they saw as the combative tone of the committee. BT chief executive Lord Livingston accused the MPs of ‘being more interested in headlines than the

⁵⁹² ‘Luxembourg tax files: how tiny state rubber-stamped tax avoidance on an industrial scale’, *The Guardian*, 5 November 2014.

⁵⁹³ ‘Disney and Skype “used Luxembourg tax deals”’, *BBC*, 10 December 2014.

⁵⁹⁴ ‘Luxembourg tax files: how tiny state rubber-stamped tax avoidance on an industrial scale’, Simon Bowers, *The Guardian*, 5 November 2014; ‘EU to press Luxembourg over tax breaks amid fresh allegations’, *BBC*, 6 November 2014; ‘Disney and Skype “used Luxembourg tax deals”’, *BBC*, 10 December 2014.

⁵⁹⁵ ‘MPs accused of “demonising” US multinationals over tax’, *Financial Times*, 18 May 2013.

⁵⁹⁶ Hodge, M. (2016), *Called to Account*, Abacus Edition, p105.

truth of the £1.2bn project ... If you watch the Public Accounts Committee meetings, they are clearly designed to attract publicity rather than get to the underlying truth⁵⁹⁷.

David Sprout, then Deloitte CEO, argued that the process had taken on an overly political tone, accusing politicians of ‘playing to the gallery’ and sending ‘mixed messages’ to businesses⁵⁹⁸.

Sir Roger Carr, President of the Confederation of British Industry, noted the shift of tax into the public spotlight, observing⁵⁹⁹:

‘It is only in recent times that tax has become an issue on the public agenda – Starbucks, Google, Amazon – businesses that the general public know and believe they understand; businesses with a brand that become a perfect political football, the facts difficult to digest; public passions easy to inflame’.

Just weeks earlier, Carr had warned⁶⁰⁰:

‘On one hand we see this drive to make the UK the most tax competitive capital in the G20 ... On the other hand, politicians are increasingly critical of business in Britain as somehow not paying its fair share in tax’.

By 2013, the impact of public outrage on corporate behaviour was unmistakable. Taxation had become a reputational concern. It became ‘a question of how much their customers trusted them’ wrote *The Telegraph*⁶⁰¹.

Sir Martin Sorrell, CEO of global advertising group (WPP), remarked that corporation tax payments were increasingly viewed as a matter of corporate social responsibility as much as legal compliance⁶⁰²:

‘Doing good is good business’.

John Dixon, head of tax at Ernst & Young, told the media⁶⁰³:

⁵⁹⁷ ‘BT chiefs attack “farcical” Public Accounts Committee’, *The Telegraph*, 25 July 2013.

⁵⁹⁸ ‘Pursuing companies for their fair share of tax is damaging the economy, says Deloitte boss’, *Mail Online*, 12 August 2013.

⁵⁹⁹ ‘Multinational CEOs tell David Cameron to rein in tax avoidance rhetoric’, *The Guardian*, 20 May 2013.

⁶⁰⁰ ‘Ernst & Young in call for tax transparency’, *Daily Mail*, 8 May 2013.

⁶⁰¹ ‘Starbucks close to tax deal with HMRC’, *The Telegraph*, 5 December 2012.

⁶⁰² ‘WPP Martin Sorrell says tax “a question of judgement”’, *BBC*, 2 January 2013.

⁶⁰³ ‘Ernst & Young in call for tax transparency’, *Daily Mail*, 8 May 2013.

‘Big business had reached a tipping point’ and ‘could only regain public trust by seizing the initiative (on tax reform)’.

As the BBC noted in May 2013⁶⁰⁴:

‘The tide of public opinion is visibly turning’.

Starbucks was a notable example. Following weeks of protests and boycott calls, the company voluntarily increased its tax payments⁶⁰⁵. Starbucks was particularly vulnerable to consumer backlash – it is easier to boycott a coffee chain than abandon widely used digital platforms. A company source acknowledged⁶⁰⁶:

‘The mood has changed and Starbucks needs to react’.

Starbucks’s Chief Financial Officer, Troy Alstead, told the *Financial Times*⁶⁰⁷:

‘Complying with the minimum required under UK tax law isn’t enough right now... we need to do more than what’s required today’.

Chris Morgan, head of tax policy at KPMG, also described the move as⁶⁰⁸:

‘Absolutely extraordinary and really does change the tax landscape. It is the first time I have seen public opinion make a company change its mind’.

This series of evidence boosts confidence in the claim that political salience mattered – there is clear indication that businesses had to react to the move of tax policy to a high-salience arena following intense media coverage. Indeed, political salience became seen by business actors as an important factor in policymaking.

Starbucks publicly stated it wanted to ‘rebuild public trust and is talking to HMRC about its taxes’⁶⁰⁹. In December 2012, the company committed to paying an additional £20 million in UK corporation tax

⁶⁰⁴ ‘Google, Amazon, Starbucks: The rise of ‘tax shaming’’, *BBC*, 21 May 2013.

⁶⁰⁵ ‘Starbucks to pay £20m UK corporate tax’, *Financial Times*, 6 December 2012.

⁶⁰⁶ ‘Starbucks close to tax deal with HMRC’, *The Telegraph*, 5 December 2012.

⁶⁰⁷ ‘Starbucks says it will pay more UK tax’, *Financial Times*, 5 December 2012.

⁶⁰⁸ ‘Starbucks to pay £20m in tax over the next two years after customer revolt’, *The Guardian*, 7 December 2012.

⁶⁰⁹ ‘Revenue and Customs urged to get tough on corporation tax’, *BBC*, 3 December 2012.

over the next two years⁶¹⁰. As *The Independent* put it on December 10th, 2012, it was ‘a perceptive move by Starbucks to regain trust’⁶¹¹.

Amazon and Google also came under pressure. Online petitions emerged urging these companies to emulate Starbucks by voluntarily increasing their tax contributions⁶¹². ‘Amazon and Google have seen their popularity drop after being accused of avoiding paying millions of pounds in tax’, wrote *The Telegraph*⁶¹³.

Google, however, defended its practices. The company’s Chairman Eric Schmidt said in December 2012⁶¹⁴:

‘I’m very proud of the structure that we set up. We did it based on the incentives that the governments offered us to operate. It’s called capitalism’.

Speaking on BBC Radio 4, Schmidt again emphasised that Google complied with the law and was contributing to the UK economy through employment, investments, and support for startups⁶¹⁵:

‘(The media) of course omits the fact that we also hire more than 2,000 employees and are investing heavily in Britain .. We empower literally billions of pounds of start-ups through our advertising network and so forth. And we’re a key part of the electronic commerce expansion of Britain which is driving a lot of economic growth for the country’.

Writing in the *Financial Times*, Schmidt further argued that tax incentives should be viewed as tools for promoting innovation⁶¹⁶:

‘Many European countries have created tax incentives specifically to encourage investment in research and development’.

This prompted backlash, including from the PAC. MP Fiona Mactaggart told *The Guardian*⁶¹⁷:

⁶¹⁰ ‘Apple, Starbucks and Fiat’s tax affairs examined by European commission’, *The Guardian*, 11 June 2014; ‘Implications of the Starbucks and Fiat state aid decision’, *Tax Journal*, 5 November 2015.

⁶¹¹ ‘A perceptive move by Starbucks to regain trust’, *The Independent*, 10 December 2012.

⁶¹² ‘World’s largest online retailer faces a new foe as bookshop takes fight to Amazon over tax’, *The Independent*, 15 December 2012.

⁶¹³ ‘Amazon and Google popularity drops in 2012’, *The Telegraph*, 27 December 2012.

⁶¹⁴ ‘Google’s tax avoidance is called “capitalism”, says chairman Eric Schmidt’, *The Telegraph*, 12 December 2012; ‘Google defends tax policies’, *Financial Times*, 14 December 2012.

⁶¹⁵ ‘Google boss defends “immoral” tax plan’, *The Times*, 22 April 2013; ‘Google boss under fire as he defends tax avoidance’, *The London Standard*, 22 April 2013.

⁶¹⁶ ‘Why we need to simplify our corporate tax system’, *Financial Times*, 16 June 2013.

⁶¹⁷ ‘Google chairman Eric Schmidt defends tax avoidance policies’, *The Guardian*, 22 April 2013.

‘It is clear from these words that Google regards payment of taxes as to some extent voluntary ... All the companies which the PAC have criticised, because they pay less corporation tax than an independent observer would expect, remind us that they pay payroll tax or contribute to the economy in other ways’.

Committee chair MP Margaret Hodge added⁶¹⁸:

‘I am fed up with companies saying they pay a bit of PAYE and business rates and National Insurance and that should do. They say “We are putting things in” but they are absolutely taking things out’.

In January 2013, Google UK and Ireland Managing Director Dan Cobley also defended that customer loyalty had not wavered despite the tax controversy⁶¹⁹:

‘Based on metrics that we’ve seen, we haven’t seen a major shift over the last little while. The most important thing for us (to retain the loyalty of users) is to keep innovating and creating products’.

In short, the evidence above shows that as the taxation of multinationals moved into the public spotlight, businesses recognised the weight of political salience. They adapted their rhetoric, policy positions, and in some cases, tax behaviour – clearly acknowledging the role of salience in shaping the policy process. These findings are supporting the claim that salience mattered for inducing policy change as key stakeholders engaged with this renewed attention while new policies were being designed.

2.2. Domestic and International Tax Reforms Failed to Address Dissatisfaction (2014-2016)

Following the surge in political salience over how to tax large tech multinationals, the UK positioned itself at the forefront of tax reform efforts, both domestically and internationally. In 2013, Chancellor George Osborne reaffirmed the government’s commitment to international cooperation. The OECD was mandated by the G20 to work on addressing base erosion and profit shifting internationally.

Simultaneously, the British government also launched domestic initiatives to curb tax avoidance. Notably, in the 2014 Autumn Budget, the government introduced the Diverted Profits Tax (DPT) – a unilateral domestic measure – prior to the conclusion of ongoing international negotiations in 2015. The

⁶¹⁸ ‘Google boss should lose job over tax’, *Daily Mirror*, 23 April 2013.

⁶¹⁹ ‘Google: “tax controversy has not deterred users”’, *The Telegraph*, 15 January 2013.

passing of the DPT was a critical step in showing the government's willingness to offer a swift response to the political momentum for tax reforms.

2.2.a. The Start of International Tax Reforms and the Finance Act 2013

The British government actively participated in international efforts to reform cross-border taxation. As outlined in the previous chapter, G20 leaders – including the UK – formally tasked the OECD with addressing base erosion and profit shifting (BEPS) during the Los Cabos summit in June 2012. This initiative marked the first major attempt to overhaul the international tax framework since its origins in the 1920s, which had been based on the principle of permanent establishment. However, in a rapidly digitalising global economy, companies could increasingly sell goods and services in a country without a physical presence there. This growing disconnect between a company's headquarters and its consumer base challenged the old system, prompting a push for reform.

The BEPS project aimed to address this structural mismatch by focusing on two primary issues: the separation of profits from genuine business activity (i.e. substance), and the minimal VAT collected on remote supplies⁶²⁰. The UK strongly supported these efforts. At the G20 meeting in November 2012, Chancellor Osborne and Germany's Finance Minister issued a joint statement – soon joined by their French counterpart – calling for coordinated international action to tighten global tax rules⁶²¹.

Further demonstrating the UK's leadership in the tax reform process, Osborne sent a letter to his European counterparts in advance of the May 2013 Ecofin meeting and following the G7 summit, urging greater cooperation on tax evasion and avoidance. He framed these efforts in terms of restoring public trust⁶²²:

‘Tax reforms were necessary for ‘the restoration of confidence in the fairness and effectiveness of our tax systems’.

This framing indicates that the government's actions were not revenue-driven, but instead politically motivated. The government aimed to respond to the perceived public discontent, channelled in intense media coverage, over corporate tax justice. The emphasis was put on restoring confidence in the fairness

⁶²⁰ Collier, R. (2023), The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018, *World Tax Journal*, Vol.15, Issue 2, p171-173

⁶²¹ HM Treasury, Statement by the Chancellor of the Exchequer, Rt Hon George Osborne MP, Britain and Germany call for international action to strengthen tax standards, 5 November 2012.

⁶²² HM Treasury, Chancellor's letter to EU finance ministers on fighting tax avoidance and evasion, 13 May 2013.

of the tax system, rather than on levying a new tax bringing in more revenues for the Treasury. This evidence adds credibility to the idea that political salience was the key driver of government behaviour.

Most significantly, the UK placed tax reform at the top of the G8 agenda during its summit in Lough Erne on June 17-18th, 2013. The summit's declared priorities – tax, trade, and transparency – reflected a direct response to mounting scrutiny over international tax policies⁶²³.

The resulting Lough Erne Declaration articulated ten main commitments, four of which focused on tackling tax avoidance⁶²⁴:

- 'Tax authorities across the world should automatically share information to fight the scourge of tax evasion',
- 'Countries should change rules that let companies shift their profits across borders to avoid taxes, and multinationals should report to tax authorities what tax they pay where',
- 'Companies should know who really owns them and tax collectors and law enforcers should be able to obtain this information easily',
- 'Developing countries should have the information and capacity to collect the taxes owed to them – and other countries have a duty to help them'.

Following this summit, in September 2013, the G20's Committee on Fiscal Affairs – comprising both OECD and non-OECD members – established a Task Force on the Digital Economy. This body was charged with addressing the specific tax challenges posed by digitalisation.

Nevertheless, progress was slow. As anticipated, international negotiations took time to yield results, and politicians frequently faced media inquiries about the timeline – further intensifying the pressure to respond promptly to political pressure. As *The Times* reported⁶²⁵:

'Mr Cameron conceded that the summit was not the final word on the issue. Yesterday's G8 declaration "has the potential" to rewrite the rules on tax and transparency, he said. It used the word "should", as opposed to will, 13 times'.

When asked by a journalist whether tax avoidance would be made more difficult, Prime Minister David Cameron responded, 'I hope so, but it is too early to tell'⁶²⁶.

⁶²³ G8 (2013), *Trade, Tax & Transparency. The 2013 UK G8 Presidency Report*, United Kingdom.

⁶²⁴ Prime Minister's Office 10 Downing Street, *G8 Lough Erne Declaration. Policy Paper*, 18 June 2013.

⁶²⁵ 'Cameron hails new deal to beat global tax avoidance', *The Times*, 19 June 2013.

⁶²⁶ 'Q&A What can G8 do on taxes?', *The Times*, 18 June 2013.

In other words, while international negotiations were meaningful, there was no immediate response to media scrutiny and domestic pressure for tax reforms. Unlike unilateral reforms, international agreements take longer to materialise – often beyond the lifespan of a single parliamentary term. Because of this, the government was drawn to a unilateral option.

As the next section shows, the UK’s decision to engage on both the domestic and international fronts demonstrates a dual strategy: a short-term political response through domestic reform, and a longer-term commitment to multilateral change.

2.2.b. 2013-2015: the Diverted Profits Tax and the Politics of the ‘Google tax’ Amid LuxLeaks

The Passing of the Diverted Profits Tax

In parallel to international negotiations, the British government pursued domestic tax reforms, demonstrating its intent to support the longer-term international tax agenda while responding more immediately to the political momentum for reforms. Tax avoidance featured prominently in Chancellor George Osborne’s Autumn Statement on December 5th, 2013.

Addressing the House of Commons, Osborne stated⁶²⁷:

‘Alongside those paying the most tax are those who try to avoid paying their fair share of tax. So today we set out in detail the largest of measures to tackle tax avoidance, tax evasion, fraud and error’.

Several domestic initiatives were announced as part of this effort. Notably, the government proposed tightening the Controlled Foreign Company (CFC) rules, which had allowed multinationals to shift profits offshore⁶²⁸. Another significant reform was the introduction of the General Anti-Avoidance Rule (GAAR), included in the Finance Act 2013, aimed at curbing aggressive tax avoidance schemes.

Yet, these reforms were widely viewed as falling short of expectations. Lord MacGregor, chair of the House of Lords Economic Affairs Sub-Committee on the Finance Bill 2013, criticised the GAAR for failing to address the tax practices of large multinationals. He wrote in the committee’s report⁶²⁹:

⁶²⁷ HM Treasury, [Chancellor George Osborne’s Autumn Statement 2013 speech](#), 5 December 2013.

⁶²⁸ HM Treasury, [Autumn Statement 2013](#), 3 December 2013, p72.

⁶²⁹ UK Parliament, [Lords Committee say General Anti-Abuse Rule “Narrow” and will not deal with controversial Tax Planning Techniques used by Big Business](#), 13 March 2013.

‘There is a misconception that GAAR will mean the likes of Starbucks and Amazon will be slapped with massive tax bills ... This is wrong and the Government need to explain that to the public’.

The Diverted Profits Tax (DPT) was the British government’s first major domestic response to mounting dissatisfaction with corporate tax avoidance. At the annual Conservative Party conference in September 2014, Chancellor George Osborne announced a new tax targeting companies that, in his own words⁶³⁰,

‘Go at extraordinary lengths to pay little or no tax’.

The measure aimed to capture profits that had been artificially diverted to low-taxed jurisdictions. Osborne framed the tax as a response to political pressure, declaring it was ‘designed to deal with the very real anger that people feel when they see large businesses not paying tax’⁶³¹. The proposal was included in the 2014 Autumn Statement and passed as part of the March 2015 Finance Bill, coming into effect on April 1st, 2015⁶³².

In his statement to Parliament, Osborne reinforced the political salience of the issue⁶³³:

‘We will make sure that big multinational businesses pay their fair share ... some of the largest companies, including those in the tech sector, use elaborate structures to avoid paying taxes ... that’s not fair to other British firms. It is not fair to the British people ... Some of the largest companies in the world, including those in the tech sector, use elaborate structures to avoid paying taxes’

He went on to introduce a 25% tax on profits generated in the UK that were then shifted abroad artificially. Osborne’s rhetoric and the timing of the announcement – just months ahead of the May 2015 General Election – underscore the political motivations behind the measure. As the *Financial Times* observed, the DPT was ‘politically astute ahead of an election campaign’⁶³⁴, aimed at ‘pulling a rabbit out of a hat’⁶³⁵.

⁶³⁰ George Osborne: Speech to Conservative Party Conference 2014, *Youtube*, 29 September 2014.

⁶³¹ ‘Osborne’s “Google tax” on overseas profits now raises zero revenue, Treasury reveals’, *The Guardian*, 31 October 2021.

⁶³² House of Commons, Government Bill, *Finance Act 2015, Part Three ‘Diverted profits tax’*, s.77-127, session 2014-15.

⁶³³ HM Treasury, *Chancellor George Osborne’s Autumn Statement 2014 speech*, 3 December 2014.

⁶³⁴ ‘Business leaders attack UK “Google tax”’, *Financial Times*, 10 December 2014.

⁶³⁵ ‘UK finance ministers planning ‘diverted profits tax’’, *Reuters*, 7 March 2015.

Though the tax applied broadly, media coverage quickly dubbed it the ‘Google tax’, cementing its association with large U.S. tech firms.

Headlines read: ‘Google tax to make tech titans pay dues’, on the *Daily Mail*⁶³⁶, ‘Osborne’s Google tax’, on the *Financial Times*⁶³⁷, and ‘Google tax to tackle major companies diverting profits’, on *The Telegraph*⁶³⁸. As *The Guardian* reported, ‘while Osborne did not mention Google by name, Tory sources stressed that other people were already widely referring to the measure as the Google tax’⁶³⁹.

Importantly, the episode illustrates how tax reforms, in particular concerning the U.S. Big Tech, were shaped within the context of political salience. The government’s proposal was ultimately driven by the need to address this salient issue.

Put another way, international reforms were the police of tax avoidance, while domestic instruments served as an interim shield – a way for governments to show responsiveness to domestic political pressure while waiting for a more effective, long-term response with a global consensus on international tax reforms.

Business Opposition to the Diverted Profits Tax

An important body of evidence shows that the DPT faced strong opposition from business and legal circles. It supports the claim that salience was the main driver for policy change.

Karim Palant, a former policy adviser to the Shadow Chancellor, noted⁶⁴⁰:

‘Companies were not warned about it, there was no real parliamentary debate, it was still a mess when it was passed in wash up in 2015’.

Here, ‘wash up’ refers to the period at the end of a parliamentary session, after an election is called or Parliament is dissolved, when the government and opposition parties work together to rapidly complete any unfinished business.

This is an important point as the passing of the Diverted Profits Tax under time constraints and with limited debate attracted criticism from tax professionals and industry representatives. It was passed in

⁶³⁶ ‘Google tax to make tech titans pay dues’, *The Daily Mail*, 4 December 2014.

⁶³⁷ ‘Osborne’s Google tax probably needs a Google brain behind it’, *Financial Times*, 5 December 2014.

⁶³⁸ ‘“Google tax” to tackle major companies diverting profits’, *The Daily Telegraph*, 4 December 2014.

⁶³⁹ ‘What is the Google tax?’, *The Guardian*, 29 September 2014.

⁶⁴⁰ interview 54.

March 2015 and came into force on April 1st 2015, during the wash-up period before the 2015 General Election.

The *Financial Times* cautioned that while the aim of closing tax loopholes was commendable, governments risked ‘scaring off big foreign investors’ with such unilateral measures⁶⁴¹. ‘Business leaders attack UK “Google tax”’, added the *Financial Times* during the passing of the DPT⁶⁴².

One partner at law firm Berwin Leighton Paisner argued⁶⁴³:

‘After years of bringing business back to the UK it seems as though the chancellor is pandering to the populist attacks on high tech’.

Nonetheless, the government defended the tax as a matter of principle. Speaking at Ernst & Young’s international tax conference in New York in October 2015, tax minister David Gauke remarked⁶⁴⁴:

‘Alongside the UK’s competitiveness strategy lies the equally important principle of fairness, put simply, our belief is in playing by the rules ... at a time when the European Commission is rightly ensuring that EU member-states do not offer preferential tax deals which would constitute state aid’.

Further evidence from interviews with HMRC officials confirms that the Diverted Profits Tax was politically driven. Edward Troup, HMRC’s former Permanent Secretary, noted⁶⁴⁵:

‘Papers started to write about big companies not paying enough tax, ministers were seeing stories, the impetus came on us (and) alerted us of it being a more systemic issue ... (and) it was that pressure that Osborne could not justify, why these companies were paying very little tax domestically’.

Troup’s statement underlines how political salience – rather than technical policy concerns – was central to the tax’s creation.

In sum, the Diverted Profits Tax – and the political theatre surrounding it – reflects how deeply tax reform had entered the realm of electoral politics. The reform was a calculated move by the government

⁶⁴¹ ‘Taxation: Unsafe offshore’, *Financial Times*, 13 January 2013.

⁶⁴² ‘Business leaders attack UK ‘Google tax’’, *Financial Times*, 10 December 2014.

⁶⁴³ Autumn statement 2014: UK plans to raise £1bn with ‘Google tax’, *Financial Times*, 3 December 2014.

⁶⁴⁴ HM Treasury, *Financial secretary on the UK’s tax regime, David Gauke at EY’s 34th annual international tax conference*, 9 October 2015.

⁶⁴⁵ interview 48.

to reclaim legitimacy in the face of increasing media scrutiny and political pressure regarding multinationals' tax practices.

Political salience intensified further in November 2014 with the LuxLeaks revelations. As detailed in the earlier chapter on France⁶⁴⁶, these leaks exposed how over 300 multinationals had reduced their tax payments using complex legal arrangements facilitated by the Luxembourg branch of PricewaterhouseCoopers. The leaks revealed confidential tax rulings from the Luxembourg authorities that allowed companies to drastically cut their effective tax rates between 2002 and 2010.

The LuxLeaks revelations were brought to light by the International Consortium of Investigative Journalists (ICIJ), in collaboration with *The Guardian* and other major outlets, following whistleblowing by former PwC employee Raphaël Halet. LuxLeaks quickly spread from French and German media to the UK press, including the *BBC*, the *Daily Mail* and *The Guardian*⁶⁴⁷.

As the *Financial Times* wrote in June 2017:

'Nearly three years on from the LuxLeaks revelations, scrutiny from the public and politicians of corporate tax deals remains intense'⁶⁴⁸.

The paper also remarked that⁶⁴⁹:

'LuxLeaks posed an entirely different, and reputationally more dangerous problem (than the debate on banking secrecy), especially because of the role of Luxembourg's tax authorities in signing off their rulings'.

This evidence supports the claim that media coverage increased and sustained political salience concerning the taxation of multinationals. As the next section shows, the government continued its efforts at reforming international tax laws within this context of heightened political salience.

2.2.c. 2015-2017: the UK Support for International Tax Reform, but Incomplete Outcomes

⁶⁴⁶ the reader is invited to refer back to pp69-21 on the LuxLeaks from the previous Empirical Chapter on France.

⁶⁴⁷ 'Luxembourg tax files: how tiny state rubber-stamped tax avoidance on an industrial scale', *The Guardian*, 5 November 2014; 'EU to press Luxembourg over tax breaks amid fresh allegations', *BBC*, 6 November 2014; 'Disney and Skype "used Luxembourg tax deals"', *BBC*, 10 December 2014; 'New European commission chief Jean-Claude Juncker under fire after leaked documents reveal Luxembourg "helped 300 top firms to avoid tax" when he was prime minister', *Daily Mail News Archive*, 6 November 2014.

⁶⁴⁸ 'LuxLeaks: Luxembourg's response to an international tax scandal', *Financial Times*, 22 June 2017.

⁶⁴⁹ *Idem*.

To avoid redundancy, this section will not repeat details already discussed in the previous chapter on France regarding the progress of the first OECD's Base Erosion and Profit Shifting (BEPS) project⁶⁵⁰. Instead, it focuses specifically on UK engagement with the initiative and the broader international tax landscape during this period.

A few months after the UK passed the Diverted Profits Tax, international tax reform efforts led by the OECD began to materialise. In September 2014, the OECD's Task Force released an interim report, followed by a comprehensive final package of fifteen recommendations – commonly referred to as the BEPS Action Plan – presented at the G20 summit in October 2015⁶⁵¹.

This plan comprised fifteen key actions aimed at curbing tax avoidance by multinational companies and enhancing cooperation among tax jurisdictions. While some actions targeted the specific challenges posed by the digital economy, others sought to increase transparency and align profits with economic activity.

As noted in the earlier chapter on France, the BEPS initiative marked a significant multilateral effort to modernise international tax rules. Itai Grinberg, a former U.S. delegate to the OECD and legal scholar, called BEPS 'the most extensive attempt to change international tax norms since the 1920s'⁶⁵².

The OECD itself described the 2015 package as 'The first substantial renovation of international tax rules in almost a century'⁶⁵³.

Despite its ambition and broad international support, several of the BEPS provisions – especially those relating to the digital economy – encountered strong resistance. Although political momentum was strong, conflicting economic interests and pressure from business groups led to delays or selective implementation. As a market country, the UK sought to update the definition of 'permanent establishment' so that companies like the U.S. tech giants, which operated in the UK but were domiciled elsewhere, could be taxed locally. Yet, no consensus was reached on how to adapt the permanent establishment concept to digital business models. Neither the U.S. nor low-tax European jurisdictions adopted the related BEPS recommendations⁶⁵⁴.

⁶⁵⁰ the reader is invited to refer back to pp75-80 on BEPS. 1.0 from the previous Empirical Chapter on France.

⁶⁵¹ OECD (October 2015), Taxing Multinational Enterprises, BEPS, Policy Brief Update n°3; OECD (October 2015), Addressing the Tax Challenges of the Digital Economy, Final Reports, Executive Summaries, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁶⁵² Grinberg, I. (2015), 'The new international tax diplomacy', *The Georgetown Law Journal*, Vol.104, p1140.

⁶⁵³ OECD (October 2015), Addressing the Tax Challenges of the Digital Economy, Action 1: Final Report, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁶⁵⁴ OECD (2017), Matrix and Reservations, MLI Database, articles 12-15 on the revised definition of the Permanent Establishment; US Treasury (2016), 'United States Model Income Tax Convention', *Washington, DC: Department of the US Treasury*, article 5.

This is a key body of evidence, as it illustrates the countervailing influence of economic interests in the face of rising political saliency. As the research theory suggests, saliency generated momentum for change, but the range of policy options was constrained by national economic interests.

In response, the OECD was tasked with relaunching its reform process. In June 2016, the BEPS project entered a new phase – sometimes referred to as BEPS 2.0 – focused on implementing earlier commitments and resolving the unresolved question of taxing digital businesses. The aim was to ‘better align rights to tax with economic activity’⁶⁵⁵, as the OECD described it, and to bring digital-era tax rules in line with economic realities.

2.2.d. Political Saliency and the Shifting Reputation Landscape for Multinationals

As outlined earlier in this chapter, increasing political saliency had a tangible impact on business behaviour. As political saliency intensified, companies became even more engaged in public tax debates, shifting their tone and rhetoric in response to reputational risk. This evidence from the period 2015-2017 reinforces the explanatory power of attention-based theories in supporting the claim that political saliency mattered.

As governments drafted and debated new tax measures, the political climate around multinational taxation remained heated.

A critical piece of evidence is that the business community largely followed the arc of media coverage rather than leading it. Indeed, the rise of ‘tax shaming’⁶⁵⁶ created new reputational liabilities. Multinationals became increasingly wary of negative media coverage highlighting aggressive tax planning. Alasdair Roxburgh from Christian Aid captured the shift⁶⁵⁷:

‘There was a shift in the narrative from one that was about accountancy and finance, to one that was about reputation. It became much more personal, about values, justice and what was fair in our world’.

Shadow Business Secretary Chuka Umunna echoed this sentiment in *The Times* in January 2013, stressing the reputational damage of excessive tax optimisation over the whole industry⁶⁵⁸:

⁶⁵⁵ OECD (2018), ‘[Brief on the tax challenges arising from digitalisation: Interim Report 2018](#).’

⁶⁵⁶ ‘Google, Amazon, Starbucks: the rise of “tax shaming”’, *BBC*, 21 May 2013.

⁶⁵⁷ ‘How the tax fight is being won’, *Global Dashboard*, 16 November 2015.

⁶⁵⁸ ‘Declare your tax payments, Labour MP tells companies’, *The Times*, 5 January 2013.

‘The bad behaviour of a few big boys has tarnished the reputation of everyone else’.

Anton Maria Battesti, Public Policy Manager for Meta in France, rhetorically asked in interview⁶⁵⁹:

‘How do we get to a point where we pay the kind of numbers that the press wants?’.

Battesti’s remark illustrates the growing concern with media perception amongst the business community. It boosts confidence in the claim that salience, more so than economic benefits or expert advice, mattered in the policy arena.

U.S. policymakers also noted the shift. In March 2016, Robert Stack, U.S. Deputy Assistant Secretary for International Tax Affairs, acknowledged that the ‘politicisation of tax’ had led multinationals to pay ‘considerably more attention to tax structures than previously’⁶⁶⁰.

The changing tone from companies was particularly evident in Google’s evolving public posture. In January 2016, following intense media coverage and parliamentary hearings, Google Europe Director Matt Brittin publicly stated the company’s intention to ‘ensure that we pay the right amount of tax, and really as a company we want to focus on investing and hiring more people in the UK’⁶⁶¹.

Before the Public Accounts Committee, Brittin repeatedly stated the company’s desire to both⁶⁶²:

‘Pay the right amount and be seen to pay the right amount ... we want to be paying the right amount of tax ... and be seen to be paying the right amount of tax ... Tax rules being simpler, clearer and more transparent would be a big step forward ... we really support the process of trying to simplify the tax system ... for us to be clearer on the value we create in each country we operate in’.

Google Vice President for Finance Tom Hutchinson added in the same hearing⁶⁶³:

‘I would love to have these rules simpler so we could explain to people who are not tax people’.

These comments sharply contrasted with those made by Google Chairman Eric Schmidt just three years earlier. In December 2012, he had defended the company’s tax structures, stating⁶⁶⁴:

⁶⁵⁹ interview 12.

⁶⁶⁰ ‘OECD tax director cautions against patent box tax incentives’, *The Irish Times*, 10 March 2016.

⁶⁶¹ ‘Google agrees £130m UK tax deal with HMRC’, *BBC*, 23 January 2016.

⁶⁶² House of Commons, Committee of Public Accounts, Corporate Tax Settlements, 11 February 2016, Q82, Q84-5, Q90, Q131, Q147.

⁶⁶³ House of Commons, Committee of Public Accounts, Corporate Tax Settlements, 11 February 2016, Q149.

⁶⁶⁴ ‘Google’s tax avoidance is called “capitalism”, says chairman Eric Schmidt’, *The Telegraph*, 12 December 2012.

‘I’m very proud of the structure that we set up. We did it based on the incentives that the governments offered us to operate. It’s called capitalism’.

By 2016, however, Google was facing intense criticism. Shadow Chancellor John McDonnell told the *BBC* on January 31st, 2016⁶⁶⁵:

‘The reputational damage to Google (of their tax settlement with HMRC, criticised as too low in the media) is immense ... the savings they have made in tax is not worth the reputation damage they have had’.

Following the backlash, other tech giants adopted a different strategy. At the Munich Security Conference in February 2020, Facebook CEO Mark Zuckerberg said that his company was ‘Happy to pay more tax in Europe’. He also welcomed the OECD’s reform process, stating⁶⁶⁶:

‘(I) want tax reform, and the OECD is looking at this ... and we accept that may mean we have to pay more tax and pay it in different places under a new framework’.

This evolution supports the theory that political salience can override traditional business lobbying. Rather than fighting reform, firms increasingly tried to manage their reputation. This aligns with Christensen (2019), who showed that business actors tend to retreat from political debates and seek lower-profile, technical venues when salience rises. In period of intense media attention, companies aim to de-escalate the issue and steer it back toward ‘quiet politics’.

The need for reputational management became especially urgent for consumer-facing firms, which are more visible to the public and more exposed to scrutiny. A senior official from His Majesty’s Treasury observed⁶⁶⁷:

‘Consumer-facing businesses will be much more careful at their tax affairs than consumers offering business-to-business services’.

Tax experts Brian O’Boyle and Kieran Allen similarly highlighted the role of reputation in location decisions⁶⁶⁸:

⁶⁶⁵ ‘John McDonnell publishes tax return amid Google tax row’, *BBC*, 31 January 2016.

⁶⁶⁶ ‘Facebook boss “happy to pay more tax in Europe”’, *BBC*, 14 February 2020.

⁶⁶⁷ interview 52.

⁶⁶⁸ O’Boyle, B. and Allen, K. (2021), *Tax Haven Ireland*, *Pluto Press*, p80.

‘If you move your headquarters to Bermuda or the Cayman Islands, your name might turn up in the CNN Investigates programme as a tax dodger, (but Dublin) has not got the ‘tax haven’ label’.

This nuance further boosts confidence in the primacy of political saliency as a driver of policy change. Companies with a direct relation to their consumers navigate in more salient waters as they are more easily recognisable by the public – it is easier for the media and political entrepreneurs to increase the saliency of an issue targeting public-facing companies, which are easily identifiable by the public. Stephen Pearce, Finance Director of U.S. multinational Anglo-American, added:

‘Citizens increasingly want to understand the value and the costs that business is bringing to their societies’⁶⁶⁹.

In sum, political saliency not only reshaped the policy agenda but also influenced how multinationals presented themselves to the public. It made it harder for companies to disengage from public concerns – and ultimately made reputation a key currency in tax compliance and reform.

2.3. Conclusion

This section has tested the hypothesis that political saliency was a critical driver in the passing of tax reforms. The findings lend strong support to this hypothesis, showing that policy change followed only after political saliency over the taxation of multinationals reached a critical threshold.

Indeed, the eruption of political saliency added crucial momentum to the reform process. A chronological analysis of the policy trajectory reveals that government efforts to develop a legislative response intensified only after the question of how to tax tech multinationals emerged as a politically salient issue. Put simply: no saliency, no change.

At each point when political attention to tax policy increased, policymakers responded with concrete measures – ranging from new institutional appointments and parliamentary investigations to the introduction of specific tax proposals. Whether at the domestic or international levels, these policy actions were designed to address mounting political pressure, driven by intense media coverage of aggressive tax practices used by major U.S. tech companies.

⁶⁶⁹ ‘Tax morale: trust and belief in the tax system’, *Tax Adviser magazine*, 15 March 2023.

These findings are consistent with issue attention scholars, such as Grossman and Guinaudeau's (2021)'s 'tunnel of attention'⁶⁷⁰ theory, which suggests that governing parties are constrained in their policy choices by the need to remain accountable to voters for delivering on highly visible campaign issues.

Importantly, the evidence also highlights the role of political intermediaries in channelling political salience into policy action. Established media outlets, tax justice activists and engaged parliamentarians played a key role in keeping the reform of multinational taxation on the policy agenda over an extended period, driving the political momentum for tax reforms.

The next section turns to the government's decision to pursue a digital services tax in the wake of heightened political salience. It also explores how business preferences evolved as the policy space shifted into one of high salience.

3. Business Under High Salience (2017-2021)

This section builds on interest-based theories of policymaking, which posit that governments are generally reluctant to adopt measures – such as new taxes – that contradict the preferences of powerful business actors, particularly when such measures might undermine economic growth. From this perspective, the stronger the opposition from key industries, the less likely it is that a government will pursue reform.

However, this chapter refines the interest-based explanation by identifying the conditions under which political salience can counterbalance business resistance. Rather than relying solely on salience as a driver of policy change, the research theory developed here introduces a more nuanced framework: governments are responsive to political salience but seek to do so in ways that minimise potential harm to national economic interests.

The previous chapter on France has already laid out many of the policy preferences expected by industry leaders, both tech and non-tech multinationals. As a reminder, corporate preferences tend to fall into a clear hierarchy. At the top is a preference for maintaining the status quo – specifically, avoiding any reform that would raise their overall tax liability (1). If change is unavoidable, firms are more inclined to support internationally coordinated reforms (2) over disparate national-level initiatives (3).

⁶⁷⁰ Grossman E. and Guinaudeau I. (2021), *Do Elections Still Matter? Mandates, Institutions and Policymaking in Western Europe*. Oxford, UK: Oxford University Press.

This order reflects the operational reality of multinational firms, particularly those in strategically important sectors, which are highly exposed to the complications of cross-border taxation. They view a harmonised international framework as more predictable and manageable, whereas fragmented domestic reforms increase regulatory complexity and the risk of inconsistent or overlapping tax obligations.

The underlying argument in this research is that the timing and design of tax reforms were shaped by a dual imperative: responding to political pressure for quick tax reforms while safeguarding the competitiveness of strategically important industries. In other words, tax reforms were necessary following the eruption of political salience; but these reforms aligned with a manageable economic cost. Policymakers operated within a narrow corridor where political salience drove the policy agenda and national economic considerations defined the boundaries of which policies were feasible.

For this theory to hold, the following sections must demonstrate that the UK's adoption of tax reforms, and in particular of a unilateral digital services tax (DST), was not only a response to political salience but was also carefully designed to avoid disrupting key domestic industries. The structure and scope of the government's tax policies will therefore serve as a test case for how policy officials reconciled voter expectations in a high salience environment with the realities of economic governance.

3.1. The Passing of the Digital Services Tax (2018)

In 2018 the UK joined several European countries in implementing a unilateral DST. After years of limited domestic reforms and active participation in international negotiations, the British government adopted a more assertive stance toward tech multinationals. In his 2018 Budget speech on October 29th, 2018, then-Chancellor of the Exchequer Philip Hammond announced a proposal for a digital services tax. The new measure aimed⁶⁷¹:

‘To tax business groups that derive large revenues from UK users of search engines, social media platforms and online marketplaces. It is not a tax on the online sale of goods’.

⁶⁷¹ House of Commons, Committee of Public Accounts, [The Digital Services Tax](#), 5 April 2023.

The tax specifically targeted three technology sectors: social media platforms, internet search engines, and online marketplaces⁶⁷². It applied to companies with global revenues above £500 million, of which at least £25 million must be attributable to UK users.

The policy went ahead against business preferences. Indeed, industry actors typically favour the status quo or a longer-term, internationally coordinated solution over unilateral domestic reforms. Businesses operating across borders often see unilateral taxation as detrimental, largely because harmonised international rules reduce administrative burdens and the risk of double taxation – where companies are taxed in multiple countries on the same income⁶⁷³.

Multinationals also fear that uncoordinated domestic taxes will lead to higher compliance costs and fiscal uncertainty. For example, in a February 2019 statement, the Confederation of British Industry (CBI) emphasised that⁶⁷⁴:

‘A global solution is the only way to avoid creating a complex patchwork of tax policies that increase compliance burdens, uncertainty over tax positions and ultimately damage global trade, cross-border investment and growth’.

The CBI further noted that⁶⁷⁵:

‘There is widespread consensus that the OECD is the right organisation to lead reform in addressing the tax challenges of the digitalisation of the economy’.

The DST marked a reassertion of state authority over how economic activity is governed within national borders. It suggests that, at a critical juncture, the UK government prioritised political pressure over industry preferences, enacting unilateral tax reform in response to growing political pressure – even in the face of strong business opposition advocating for an international solution.

Dan Neidle, a British tax lawyer and investigative journalist, presented the DST as a temporary solution aimed to ease political pressure⁶⁷⁶:

⁶⁷² HM Revenue and Customs, Digital Services Tax: Policy paper, 11 March 2020; House of Commons, Government Bill, Finance Act 2020, Digital Services Tax, session 2019-20.

⁶⁷³ Collier, R. (2023), The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018, *World Tax Journal*, Vol.15, Issue 2, p170.

⁶⁷⁴ ‘CBI responds to government consultation on introducing a UK Digital Services Tax’, *Confederation of British Industry*, 28 February 2019.

⁶⁷⁵ ‘HMT and HMRC consultation document – digital services tax’, *Confederation of British Industry*, 28 February 2019.

⁶⁷⁶ interview 49.

‘DSTs are a quick dirty way of taxing digital companies, because you can do it unilaterally; tax treaties control how you tax profits but not turnovers. The Americans believe it's a protectionist measure, but I think it's a classic politician thing - it was the only tool they had to respond’.

3.1.a. Critical National Sectors Fell Outside the Scope of the digital Services Tax

While the evidence suggests that political motivations were key in passing the digital services tax, this does not mean national economic interests were ignored. This section tests the interest-based claim according to which governments protect national economic interests by prioritising dominant domestic coalitions.

Not all business interests carry equal weight: Stringent tax reforms are more likely to be imposed on sectors with limited influence over the domestic economy. The digital services tax focused exclusively on large tech companies. Accordingly, this policy is more likely to be enacted in countries where large tech firms hold limited economic sway. Where tech firms are closely aligned with the state’s economic agenda, unilateral taxation becomes less likely. In such cases, governments will hold back if unilateral taxation risks harming industries crucial to national growth.

To validate this hypothesis, the evidence should show that key domestic sectors were protected from the tax, and that the government acted in ways that minimised harm to the national economy while still responding to political momentum for reform.

The DST’s impact was indeed concentrated on tech multinationals – mostly foreign-owned and primarily American. A report by the public accounts committee covering the tax’s first year (2020-2021) found that HMRC collected £358 million from around 29 companies. Remarkably, 90% of that revenue came from just five business groups⁶⁷⁷. While none were named, the narrow scope strongly suggests that they were US-based giants: Alphabet, Amazon, Apple, Meta, Microsoft.

These companies and their industry groups opposed the tax, and emphasised the need for an international agreement instead. Microsoft, Facebook, and Google urged greater clarity on its scope and design in front of the Communications Committee at the House of Lords⁶⁷⁸.

⁶⁷⁷ House of Commons, Committee of Public Accounts, [The Digital Services Tax](#), 5 April 2023, p4-5.

⁶⁷⁸ UK Parliament, [Facebook, Google and Microsoft meet the Committee](#), 30 October 2018.

At a business conference in November 2019, Sophos Vice President for Group Tax, Ali Kennedy, warned that the tax could deter tech investment⁶⁷⁹:

‘Such companies may look to leave the UK because it is not perceived as a tech business-friendly environment at the moment, which is a pity’.

Google CEO Sundar Pichai labelled the UK’s approach⁶⁸⁰:

‘A go-it-alone digital tax that is doomed to failure... it’s a multilateral issue which countries have to resolve (together)’.

TechUK’s CEO, Julien David, warned the UK DST risked the same U.S. trade retaliation seen with France’s version. He said that it would be ‘very hard to see how a UK-only digital services tax wouldn’t meet exactly the same challenges’ as the one passed by the French government, for which the US threatened to levy trade sanctions against French goods if the tax was going ahead⁶⁸¹.

Google UK’s public policy manager, Katie O’Donovan, called for the tax’s removal once an international agreement was reached⁶⁸²:

‘For a company like ours ... or indeed for many companies that operate across borders and in different countries, a multilateral international solution is one that will be really meaningful with long-term significance’.

Microsoft’s UK director of corporate, external and legal affairs, Hugh Milward, added that ‘the most important thing is how this (the unilateral digital services tax) influences what the OECD is thinking’⁶⁸³.

The Internet Association, representing big tech companies, also criticised unilateral taxes as unfairly targeting U.S. firms⁶⁸⁴.

British advertising trade bodies IAB and ISBA, which include major tech firms as members, echoed these concerns. IAB’s CEO Jon Mew said the tax created⁶⁸⁵:

⁶⁷⁹ ‘Planned UK digital services tax fails to convince panel at CIOT/IFS debate’, *Chartered Institute of Taxation*, 27 November 2019.

⁶⁸⁰ ‘The UK’s go-it-alone digital tax is doomed to failure, warns Google’s chief’, *Sunday Telegraph*, 29 September 2019.

⁶⁸¹ ‘Countries vow to press ahead with digital taxes despite US threat’, *Financial Times*, 4 December 2019.

⁶⁸² ‘Hammond’s digital tax faces opposition from big tech firms’, *The Guardian*, 30 October 2018.

⁶⁸³ *Idem*.

⁶⁸⁴ Statement In Support of USTR Initiating Section 301 Investigations of Digital Services Taxes, *Internet Association*, Archive IA, 2 June 2020.

⁶⁸⁵ ‘Budget 2018: ad industry warns that digital services tax could disincentivise tech investment’, *CampaignLive*, 30 October 2018.

‘A significant challenge to the UK digital advertising market at a time when it is already facing an uncertain economic and regulatory climate ... It might create a disincentive for competitors to set up and grow in the UK’.

In addition, ISBA’s director general Phil Smith warned that⁶⁸⁶:

It was ‘vital that the UK does not lose its position as a leader in digital innovation ... The strength of our digital economy is based on the UK being a welcoming environment for digital businesses of all sizes’.

Some companies threatened to pass the tax onto the customers. Amazon and Google raised the possibility of invoicing their advertising clients in the UK a 2% fee from September and November 2020 respectively. Apple adjusted pricing across Europe in response to unilateral taxes, including the UK’s DST⁶⁸⁷.

Facebook held off initially but left open the possibility to pass the tax onto the customers. A spokesperson for the company told the newspaper *IT Pro*⁶⁸⁸:

‘We will continue to review the impact of the DST and similar legislation being considered globally, which may affect our position in the future’.

These warnings were taken seriously. The Confederation of British Industry (CBI) noted potential spillover effects⁶⁸⁹:

‘Over 80% of respondents (from the CBI business survey) that do not fall within the scope of the DST interact in some form with those that do. While there is not enough evidence to understand exactly what the pass on rate will be to consumers, there is evidence to suggest that in some cases there will be pass-through’.

However, key sectors of the UK economy were largely unaffected by the tax. The tech companies it targeted were not major UK fiscal residents, and their economic footprint paled in comparison to other industries. This is a substantial evidence in support of the interest-based view: the DST avoided hitting dominant domestic sectors.

⁶⁸⁶ *Idem.*

⁶⁸⁷ *Idem.*

⁶⁸⁸ ‘How tech firms are responding to the UK’s Digital Services Tax’, *IT Pro*, 2 September 2020.

⁶⁸⁹ ‘HMT and HMRC consultation document – digital services tax’, *Confederation of British Industry*, 28 February 2019.

Indeed, the UK's most prominent industries have traditionally fallen outside the technology sector. Consequently, the introduction of the DST had a limited impact on the dominant sectors of the British economy, as these fell outside the scope of the measure. Tech multinationals were distinct in that, although they had significant turnovers and global exposure, they were not fiscal residents in the UK⁶⁹⁰.

A 2024 parliamentary report offers an overview of the top UK industries in terms of gross value added for 2023, identifying real estate, retail and wholesale, manufacturing, and finance and insurance as the leading sectors. It confirms the marginal role of technology multinationals in economic decision-making.

This ranking likely remained relatively stable over the short period covered by this research, from 2016 onwards. Some industries, such as mining and extractives, finance and insurance, and manufacturing, contribute more to economic output than to employment, whereas others – such as accommodation and food service activities, arts and entertainment, and health and social care – are more labour-intensive than output-heavy. Crucially, none of these industries would be classified as technology companies⁶⁹¹.

The *Forbes Global 500* further underscores the dominance of non-tech sectors in shaping the UK economy. Forbes annually ranks the largest 500 and 2000 publicly traded multinationals based on sales, profits, market value, and assets. Between 2016 and 2020 – the period during which the DST was introduced – 26 multinationals consistently appeared on the *Forbes 500* list and were both headquartered and incorporated in the UK⁶⁹².

Of these twenty-six UK-based *Forbes 500* multinationals, five companies were in the energy sector (Shell, BP, Centrica, SSE, National Grid), nine were in financial services (HSBC Holdings, Barclays, Lloyds Banking Group, Standard Chartered PLC, Aviva, Legal and General Group, Prudential, M&G, Phoenix Group Holdings), five were in retail and consumer goods (British American Tobacco, Tesco, Unilever, Sainsburys, Morrison Supermarkets), two were in mining (Anglo American, Rio Tinto plc – the British branch of Rio Tinto Group), two were in telecommunications (Vodafone Group, BT Group), two were in the pharmaceutical sector (AstraZeneca, GSK), 1 in defense and aerospace (BAE Systems) and one in services (Compass Group).

Typically, companies incorporated and headquartered in the UK are also considered UK tax residents⁶⁹³. While this does not automatically mean they contribute more in taxes, create more jobs, or offer greater

⁶⁹⁰ Noonan, C., and Plekhanova, V. (2021), 'Digital services tax: lessons from the section 301 investigation', *British Tax Review*, p87.

⁶⁹¹ House of Commons Library, [Industries in the UK](#), 3 October 2024, p4.

⁶⁹² [Fortune Global 500](#), fortune.com.

⁶⁹³ 'United Kingdom, Corporate residence', *PwC*, 8 July 2024.

value to GDP, it remains a useful proxy. A company of such scale is likely to generate significant economic value in the country where it is headquartered, via domestic revenues and employment⁶⁹⁴.

This breakdown highlights the limited influence of the tech sector in the UK's corporate landscape. Big Tech were not central to domestic economic growth, especially when compared to similarly large multinationals that were both headquartered and fiscally registered in the UK. These domestic firms typically employed more people at their UK headquarters and contributed substantially to the national tax base.

This distinction is supported by officials involved in the reform process. Karim Palant, former policy advisor to the Shadow Chancellor, recalled⁶⁹⁵:

'The Prime Minister (David Cameron) is thinking about how many jobs are in London, and in the early 2010s apart at Google there were few people employed by the Big Tech ... and he (Prime Minister David Cameron) is also thinking about how much revenues do they make, and if revenues are becoming so much bigger suddenly it seems wrong ... and there is this broader idea after the financial crisis that as a government you have to be seen to be hitting those with the broader shoulders, buying yourself space to implement measures'.

Industry concerns over the scope of the DST further reveal the importance of business preferences. A Treasury consultation with business and civil society, published in July 2019, documented worries about how narrowly the tax would be targeted. Stakeholders sought clarity on how to assess liability – particularly how to determine user location, a key factor in calculating DST exposure⁶⁹⁶.

Some sectors were explicitly excluded. Financial services were ruled out from being considered digital marketplaces. Meanwhile, no exemption were granted to two other sectors with significant UK actors – streaming platforms for film and music, and video gaming – though the government clarified this was because they were unlikely to meet the DST's criteria⁶⁹⁷.

The Treasury report made clear that the tax was intended to target major tech firms. As Chancellor Philip Hammond stated in *The Guardian*, the proposal would be⁶⁹⁸:

⁶⁹⁴ Dischinger and Riedel (2014) have also showed that, controlling for other variables including tax differences among countries, profit shifting is likely to favour the headquarter country, in Clausing, K. (2018), 'Does tax drive the headquarters locations of the world's biggest companies?', *Transnational Corporations*, Vol.25, Issue 2, p4.

⁶⁹⁵ interview 11

⁶⁹⁶ HM Treasury, HM Revenue & Customs, Digital Service Tax: response to the consultation in November 2018, Nov. 2018, July 2019, 5.3-5.5, p24.

⁶⁹⁷ HM Treasury, HM Revenue & Customs, Digital Service Tax: response to the consultation in November 2018, Nov. 2018, July 2019, 3.62, 3.74, 3.75, pp18-19.

⁶⁹⁸ 'Hammond's digital tax faces opposition from big tech firms', *The Guardian*, 30 October 2018.

‘Carefully designed to ensure it is established tech giants, rather than our tech startups, that shoulder the burden’.

Earlier in the year, in February 2019, the Confederation of British Industry (CBI) also weighed in, cautioning against a unilateral tax digital services tax. If introduced, the CBI argued, it should be tightly focused on companies whose revenues stemmed from user-generated value⁶⁹⁹:

‘Whilst some members, that have limited or no online presence, support action by the Government to level the playing field between wholly online and more traditional business models, the majority are opposed to this issue being addressed via unilateral and uncoordinated measures, including the introduction of the DST (...) If it is determined that the DST will continue to be implemented ... the scope of the DST should be refined to align the scope of the DST with those revenue streams which could foreseeably have a connection with value created by users (e.g. targeted advertising and commissions in the case of online marketplaces)’.

Some domestic actors even had incentives to support the tax. Tech multinationals, especially Google and Facebook, were rapidly capturing advertising revenues, putting pressure on traditional media.

James Chapman, the former Communications Director to the Chancellor recalled⁷⁰⁰:

‘Newspapers were dying, Big Tech like Google were pulling a lot of revenues from the advertising industries that would have otherwise gone to print media, it could not be overstated how much of an incentive there was for a media narrative to be pushed on Big Tech evading taxes and not paying their fair share’.

The DST also became entangled in broader political concerns about protecting local businesses. Jake Berry, then Minister for Housing, Communities and Local Government, described the tax as a way to ‘level that playing field’⁷⁰¹.

Similarly, Conservative MP Neil O’Brien emphasised⁷⁰²:

⁶⁹⁹ ‘HMT and HMRC consultation document – digital services tax’, *Confederation of British Industry*, 28 February 2019.

⁷⁰⁰ interview 29.

⁷⁰¹ House of Commons, [High streets and town centres in 2030](#), Eleventh report of session 2017-19, Housing, Communities and Local Government Committee, 13 February 2019, p30.

⁷⁰² UK Parliament Hansard, [Digital Taxation](#), Volume 638: debated on Tuesday 27 March 2018.

‘We do not want to do anything to hamper the vibrant tech start-up scene in the UK ... (and) we need small businesses to reap the benefits from any new tax on large digital firms’.

However, Treasury Minister Mel Stride rejected the idea that the DST served as a protection levy for local businesses. During a parliamentary evidence session, after being asked about the benefit that the DST will bring to high street retailers, he clarified⁷⁰³:

‘There is no formal link between what is raised in that area (from the digital services tax) and what relief we may be able to apply in the high street business rate context’.

As the then-Tax Minister David Gauke explained⁷⁰⁴:

‘You had big largely American tech companies that were sort of changing the way the world was working, providing competition to smaller domestic businesses, a sense of the little guy being the hard hit, whether that was high street shops or the mainstream newspapers, if you are looking at advertising revenue Google was a competitor, so newspapers were keen to push the story as well; so I think whether it is through a digital services tax or multinational agreement, there will be lots of small businesses saying well I still cannot compete against these tech companies, and I do wonder whether there will be increased pressure on a sort of online sales tax, in the context of Amazon, because lots of small businesses will be saying that the new digital services tax or OECD pillars have not protected them in the way they thought it would, there is a real challenge in terms of what expectations are for these digital tax reforms, and I don’t think these expectations are going to be met’.

Altogether, this evidence indicates that the UK government and domestic industry leaders initially aimed to ring-fence the DST to large technology multinationals. These firms were largely covered by media scrutiny but played a relatively minor role in the UK’s economic base. In this context, it was in the UK’s interest to advocate for a reallocation of taxing rights to market jurisdictions specifically for Big Tech.

While international negotiations progressed slowly, the DST sought to address these challenge more swiftly. The tax was formally introduced through the Finance Bill 2020 and came into effect on April 1st, 2020.

⁷⁰³ House of Commons, Housing, Communities and Local Government Committee and Treasury Committee, Oral evidence: High Streets and Town Centres in 2030, HC 1010, Q494, 19 December 2018.

⁷⁰⁴ interview 10.

3.1.b. The Political Gains in the Digital Services Tax

Further evidence indicates that not only were key national industries largely unaffected by the digital services tax, but its design and implementation were also heavily shaped by the political context. As with the French version, the British DST proved politically popular.

Faced with growing political pressure for swift action and slow progress in international tax negotiations, the UK government was motivated to introduce a tax that addressed domestic calls to ‘Tax Big Tech’. Interview with senior policymakers underscore the significance of the political dimension behind the DST’s adoption.

A senior Treasury official provided compelling testimony on the primacy of political salience over expert influence. The epistemic community – comprising tax experts and technocrats – had little sway in determining whether a reform would occur until the issue gained public prominence. Their influence was limited to shaping the technical design of the policy once salience had emerged.

As the official put it⁷⁰⁵:

‘The idea by some that it is because we need revenues is a joke, we are talking about a few hundred million, we and the French are trillion economies ... Of course there is an argument you could have a higher rate, on why it is 2% and not 3%, but the sort of people that the Prime Minister would meet in the streets they wouldn’t get into that level of details’.

This official further emphasised that political calculation was a driving force⁷⁰⁶:

‘We knew we were involved with legal challenges, with the US and with people who would have to pay the tax ... but we were able to analyse that risk, to assess it against political gains, so we weighted the pros and cons and the Chancellor decided it was worth it politically and decided to take that risk’.

This is a key piece of evidence, as it underscores the political salience of the DST. It supports the claim that the tax was motivated by the prospect of political gains, aligning with the salience-based hypothesis.

⁷⁰⁵ interview 7.

⁷⁰⁶ interview 7.

David Gauke, then-Tax Minister offered a similar perspective, recalling the political climate in the early 2010s⁷⁰⁷:

‘It started in the sort of particular environment of the first half of the 2010s, which is that tough decisions were being taken on austerity, taxes had gone up, VAT had gone up, spending was being very tightly controlled, everybody was supposed to be seen as playing their part, and then there were people that weren’t paying their fair share, there was a series of news stories about tech companies that paid very little tax, not all these stories were very well informed, there was a lot of confusion between turnover and profit for example, but there was a lot of public disquiet about multinationals particularly but not exclusively tech companies which were paying very little tax, so there was a sort of purely political element in the sense that as a government if we didn’t take action we were exposed to public criticism, and there was a point in maintaining public confidence to the tax system’.

He continued⁷⁰⁸:

‘With both the diverted profit tax and the digital services tax the main point is that it was incredibly popular, if you look at the polling from the 2018 budget it polls incredibly well, it was a very popular policy, because it was increasing taxes towards large American companies with deep pockets ... the banks were blamed for the crash, but tech companies were very successful, they could afford to pay more ... and there was very significant public concern that multinationals, particularly but not exclusively tech companies, were not paying very much by way of corporation tax at all’

Political pressure also continued to shape the policy approach of Rishi Sunak, Chancellor of the Exchequer from February 2020 to July 2022. As one senior Treasury official remarked⁷⁰⁹:

‘Some of his constituents came to him and asked him to tax the tech, so ever since he was all on it’.

This account is supported by testimony from European actors. Benjamin Angel, Director for Tax Policy at the European Commission’s Taxation and Customs Union department (DG TAXUD), observed⁷¹⁰:

‘Sunak was very active, he really wanted to get it done.’

⁷⁰⁷ interview 10.

⁷⁰⁸ *Idem*.

⁷⁰⁹ interview 7.

⁷¹⁰ interview 18.

Similarly, Dan Neidle, a British tax lawyer and investigative journalist, concluded⁷¹¹:

‘The Digital Services Tax is not important in tax terms, it is a drop in the ocean. So it’s a funny combination of digital tax socking up huge public attention and yet not being important financially.’

He continued⁷¹²:

‘Revenues authorities knew that, it wasn’t that important, but it became important purely because of the politics.’

Thus, the evidence shows that the digital services tax was driven by political gains – the government pressed ahead with a unilateral tax to respond to political salience. It supports the claim in the research theory that political salience was the main motor of change for tax reforms.

3.2. Associated Economic Risks Changed the Position of Critical National Sectors

The evidence shows that although critical national sectors were excluded from the scope of the UK’s digital services tax, they became increasingly concerned about its economic repercussions. In particular, the threat of retaliatory trade sanctions by the United States significantly altered the risk profile of the tax.

According to the research theory, the greater a country’s economic dependence on access to the U.S. market, the more influence U.S. trade threats will have in deterring unilateral policy reforms targeting multinational tech companies. Such sanctions shift the balance between political gains and economic risks by significantly increasing the latter.

3.2.a. U.S. Trade Sanctions Posed a Risk to British Critical National Sectors

International relations scholars expect that governments resort to any source of influence they can levy for influencing international negotiations. It encapsulates the dynamic between the U.S. and other nations pursuing digital services taxes. Washington opposed the UK’s DST in the same way it

⁷¹¹ interview 49.

⁷¹² *Idem*.

challenged the European and French equivalents. As previously indicated in the empirical chapter on France, the U.S. leveraged its substantial trade power to oppose unilateral digital taxation initiatives.

Indeed, because these taxes disproportionately affected American tech giants, the U.S. Treasury viewed them as detrimental to its national interests and opposed their passing⁷¹³.

The British Treasury sought to avoid targeting U.S. firms directly by focusing the DST on a consumer-based nexus, taxing digital activity based on the location of digital platforms' users. A senior tax official closely involved in the negotiations explained⁷¹⁴:

'It was an attempt by the British government to argue that they did not focus on US tech companies purposefully'.

The UK's DST also included a £25 million annual revenue threshold, provisions for businesses which would fall within the scope of the tax but have low profit margins⁷¹⁵, and a 50% reduction for revenues already taxed elsewhere under similar schemes⁷¹⁶. It featured a lower rate (2%) than the French version (3%) and additional exemptions to mitigate its impact⁷¹⁷.

However, while the UK's approach was more conciliatory than France's, this did not spare it from U.S. threats. Following the announcement of the DST by Chancellor Philip Hammond in the 2018 Budget⁷¹⁸, the U.S. promptly voiced its disapproval⁷¹⁹.

Kevin Brady, the then-Republican chairman of the U.S. House of Representatives' Ways and Means Committee, called the UK DST 'a blatant revenue grab' in November 2018⁷²⁰:

'Singling out a key global industry dominated by American companies for taxation that is inconsistent with international norms is a blatant revenue grab'.

⁷¹³ the reader is invited to refer back to pages 118-119.

⁷¹⁴ interview 48.

⁷¹⁵ House of Commons, Government Bill, Finance Act 2020, Digital Services Tax, session 2019-20; HM Revenue and Customs, Digital Services Tax: Policy Paper, 11 March 2020.

⁷¹⁶ 'Tax Foundation Comments on the Initiation of Section 301 Investigations of Digital Services Taxes', *Tax Foundation*, 9 July 2020.

⁷¹⁷ Digital Services Tax: Lessons from the Section 301 Investigation, Reprinted from *British Tax Review*, *Sweet & Maxwell*, Issue 1, 2021, pp91.

⁷¹⁸ House of Commons, Chancellor of the Exchequer Philip Hammond's Budget Speech, HC Deb 29 October 2018; HM Treasury, Digital Services Tax: Budget 2018 Brief, 29 October 2018.

⁷¹⁹ 'UK to press ahead with digital tax despite US pressure, Javid insists', *The Guardian*, 22 January 2019.

⁷²⁰ 'The global hunt to tax Big Tech', *Financial Times*, 2 November 2018.

In December 2019, after the U.S. Trade Representative's report condemning the French DST, Robert Lighthizer stated that Washington would consider 'retaliation' against the 'growing protectionism' of European states that 'unfairly targets U.S. companies'⁷²¹.

The U.S. launched a formal Section 301 Investigation, under the 1974 Trade Act, into the UK's DST in June 2020. U.S. Treasury Secretary Steven Mnuchin warned his British counterpart at Davos in January 2020 that the U.S. would consider retaliatory measures, particularly on UK car exports. He declared⁷²²:

'If people want to just arbitrarily put taxes on our digital companies we will consider arbitrarily putting taxes on car companies'.

The risk of sanctions posed a serious threat to UK industries. With nearly one in five UK-manufactured vehicles exported to the U.S., the American market was critical for British carmakers like Jaguar Land Rover and Aston Martin. George Bull, senior tax partner at consultancy firm RSM, warned that⁷²³:

'Businesses and consumers in the affected countries (of digital services taxes) will be caught in the crossfire of a tax war'.

OECD officials echoed this concern, cautioning that failure to reach a multilateral agreement could lead to escalating trade tensions.

Pascal Saint-Amans warned in *Politico*⁷²⁴:

'There is no plan b, there is a plan c, for chaos',

He later added in the *Financial Times*⁷²⁵:

'There are serious risks of unilateral measures, and therefore trade sanctions ... trade wars for a tax issue'.

Achim Pross, Deputy Director in the OECD Tax Unit, emphasised the role of the Pillar One agreement on the reallocation of taxing rights as essential for 'alleviating trade tensions'⁷²⁶.

⁷²¹ 'France warns US against digital tax retaliation', *Financial Times*, 5 January 2020.

⁷²² 'UK to impose tax on tech giants but risks US tariffs on car exports', *The Guardian*, 22 January 2020.

⁷²³ 'Is the weaponisation of taxes here to stay?', *Tax Journal*, 26 July 2019.

⁷²⁴ 'The man behind the global struggle to create digital taxes', *Politico*, 22 February 2020.

⁷²⁵ 'OECD tax chief warns of trade wars if global deal is not implemented', *Financial Times*, 30 October 2022.

⁷²⁶ OECD (12 September 2022), Public Consultation on the Progress Report on Amount A of Pillar One (virtual session).

As the *Financial Times* columnist Rana Foroohar noted⁷²⁷:

‘Tax may become yet another aspect of global trade relations to become weaponised’.

Despite the risks, Prime Minister Boris Johnson pressed forward. While campaigning in Salisbury in December 2019, he stated⁷²⁸:

‘I don’t think that trade wars are a good thing. 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 ... we need to sort that out and make sure they make a fairer contribution’.

This quote supports the claim that saliency mattered: the Prime Minister relied on political support for justifying the passing of the tax, despite the risks of economic sanctions.

Nonetheless, while saliency remained a key driver for the DST, economic concerns were not sidelined. An international agreement remained the optimal policy option for the British government. At the April 2018 Ecofin summit in Sofia, Chancellor Hammond initially urged caution, stating:

‘It is a good idea ... But the longer we work, the stronger the decision will be’.

This provoked a sharp response from French Finance Minister Bruno Le Maire, who later recounted in his memoirs⁷²⁹:

‘I spoke last, with cold anger ... In the midst of Brexit, they (the British government) did not want to lose their big brother, the United States’.

By the 2018 Budget, Hammond announced the UK would introduce a DST from April 2020 – confident that enough other countries were also moving forward, and therefore confident of their stronger position vis-à-vis the U.S. trade retaliation⁷³⁰. Indeed, by moving in concert with other nations, the UK helped to dilute the likelihood of the US launching multiple simultaneous trade disputes.

A senior Treasury official involved in the OECD negotiations explained⁷³¹:

⁷²⁷ ‘UK follows in the footsteps of Donald Trump on digital tax’, *Financial Times*, 29 October 2018.

⁷²⁸ ‘Johnson risks Trump ire with digital tax pledge’, *Financial Times*, 3 December 2019.

⁷²⁹ Le Maire, B. (2021), *L’ange et la bête*, Editions Gallimard, p125.

⁷³⁰ ‘Chancellor Hammond announces radical new tax on internet businesses’, *Clifford Chance*, 29 October 2018; HM Treasury, [Digital Services Tax: Budget 2018 brief](#), 29 October 2018.

⁷³¹ interview 7.

‘The Chancellor was mindful that by the stage (when the UK started drafting a digital services tax in 2018) we were introducing a digital services tax the EU was introducing one too, so he could stand up and be well that is not just us’.

Ultimately, the UK’s DST was legislated in the Finance Act 2020. It was delayed after a truce between Washington and Paris temporarily paused the trade escalation against unilateral digital services taxes. The French government agreed to delay the tax collection to the next financial year, and to forego the tax when an international agreement would be signed. The UK aligned with this delay, deferring implementation to April 1st, 2020. Indeed, in the midst of Brexit, the UK had no interest in fighting unilaterally

The same Treasury official added⁷³²:

‘A downside doing our own way was that we had to consult and take it right alone, that 18 months period we had to consult, but I think also if I am honest it wasn’t so dreadful from our perspective that the French were the first who were subject to US scrutiny; we were subject to the section 301, but it got less spotlight because the French had been subject to it already, so we were quite happy to let the French go first’.

This body of evidence highlights two key points. First, political salience played a decisive role: the British government advanced the Digital Services Tax because it was politically popular. Second, economic interests constrained the government’s policy choices. To mitigate potential economic risks, such as U.S. trade sanctions or conflicts between tax jurisdictions, the government sought to either secure an international agreement or align its unilateral measures with developments in other countries.

3.2.b. The Passing of the Digital Services Tax as a ‘Damocles Sword’

Crucially, the UK’s DST was intended as a temporary measure until an international agreement could be reached. This temporality is significant, as it reflects the influence of business interests in government’s decision-making. Although policymakers decided to go ahead with a unilateral tax, by committing to withdrawing the DST once a global solution was in place, the government signalled its preference for a harmonised approach – one that businesses overwhelmingly supported.

⁷³² *Idem.*

The metaphor of the shield and the police, introduced in the previous chapter, remains instructive. While an international agreement would serve as the police by decisively curbing tax avoidance, unilateral taxes functioned as a temporary shield against ongoing tax loopholes. This dynamic illustrates the influence of political saliency, which intensified pressure on the government to deliver a prompt response to the tax avoidance practices exposed in the media. At the same time, it reinforces the claim that economic interests constrained the government's policy choices – framing an international agreement as the preferred and most viable, long-term solution for addressing these challenges.

Indeed, although the DST did not have a formal sunset clause, meaning its repeal would require a future Finance Bill, HM Treasury repeatedly affirmed that the tax was only an interim measure⁷³³:

‘The DST is intended to be an interim measure, pending a long-term global solution to the tax challenges arising from digitalisation ... The government is committed to dis-applying the DST once an appropriate international solution is in place, and believe this achieves the same objectives as a sunset clause’.

The then-Chancellor Sajid Javid echoed this sentiment⁷³⁴:

‘It is a proportionate tax, and a tax that is deliberately designed as a temporary tax. It will fall away when there is an international agreement’.

What is more, however, is that the DST was not merely a short-term reaction to mounting political pressure. It also was a strategic move to bring the U.S. to the negotiating table. Unilateral taxes and retaliatory tariffs were suboptimal for all parties, including the U.S., and unilateral taxes added economic pressure on both sides.

Removing the DST would also eliminate the risk of U.S. trade retaliation – an outcome strongly encouraged by the OECD. In its 2020 progress report, the organisation stated⁷³⁵:

‘It is expected that any consensus-based agreement must include a commitment by members of the Inclusive Framework to implement this agreement and to withdraw relevant unilateral actions, and not adopt such unilateral actions in the future’.

⁷³³HM Treasury, HMRC, [Digital Service Tax: response to the consultation in November 2018](#), July 2019, 7.7, 7.8, p34.

⁷³⁴ ‘Davos 2020: Prince Charles, Donald Trump and Sajid Javid speak’, *The Guardian*, 22 January 2020.

⁷³⁵ OECD (2020), [Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint](#), 847, p204.

As a full member of the Inclusive Framework, the UK endorsed this agreement at the October 2020 summit.

Accordingly, one of the aims behind the UK's DST was to help pave the way for a broader international agreement. A UK official told the *Financial Times*, after President Trump threatened tariffs in response to the DST⁷³⁶:

‘You don’t bring the Americans to the table at the OECD by folding now’.

Julian Feiner, a London-based tax lawyer who closely followed the policy developments similarly observed⁷³⁷:

‘You could say that the threat of digital services taxes was a way to get a multilateral deal’.

Indeed, British officials confirmed the role of the DST as an incentive for the conclusion of an international agreement. A senior Treasury official remarked⁷³⁸:

‘If there is no international agreement, we go for our own digital services tax, there is no question about that. So Pillar One may not be done, and if so we keep our unilateral tax, and then we say well we were perfectly willing to reach agreement, and you (the U.S.) were not able to implement it, your problem not ours; the US administration will say it is always very difficult to get legislation done in the US and we have tried, to which the rest of the world would say well yes, but you have not done what you said you will’.

Edward Troup, HMRC’s former Permanent Secretary, put it even more clearly⁷³⁹:

‘If the US Congress doesn’t pass the deal we will implement our DST, with 100% confidence’.

In short, like France, the UK introduced a DST not to replace but to pressure toward a long-term multilateral solution. The measure aimed to be a temporary measure which responded to public sentiment, but also strategically advanced global negotiations. This is a key piece of evidence in showing that the government aimed to respond to the eruption of political salience swiftly while preserving national economic interests over the long-term.

⁷³⁶ ‘Johnson risks Trump ire with digital tax pledge’, *Financial Times*, 3 December 2019.

⁷³⁷ interview 38.

⁷³⁸ interview 7.

⁷³⁹ interview 9.

3.2.c. National Industries Feared the Proliferation of Turnover-Based Taxes Beyond the Tech Sector

Beyond the threats of U.S. trade sanctions, British industry expressed concern that digital services taxes could create a dangerous precedent. It added pressure on multinationals from both the tech and non-tech sectors to support an international tax reform.

Specifically, there were fears that turnover-based taxation – initially targeted at digital giants – might spread to other sectors. Turnover-based taxes, unlike profit-based taxes, are often viewed as more arbitrary and punitive. Their adoption against digital companies raised the spectre of similar taxes being levied on other multinational industries. It created a legal and political precedent which opened the door for similar turnover-based ‘windfall’ taxes beyond the tech sector. This concern motivated various industry leaders to support an international agreement that would forestall such proliferation.

UK-based institutions expressed their apprehension at the development of turnover-based taxes. The Chartered Institute of Taxation (CIOT) warned that the DST might trigger a wave of similar taxes across various sectors⁷⁴⁰. The Confederation of British Industry (CBI) likewise expressed concern that the DST could signal a broader shift toward turnover-based taxation frameworks⁷⁴¹.

Further insights, particularly from OECD interviewees, have been provided in the earlier empirical chapter on France. Both the OECD Tax Director, Pascal Saint-Amans, and his Deputy Director Achim Process, have stressed the potential for DSTs to extend beyond the tech sector – leading to uncertainty and tax disputes across several jurisdictions and industries.

Saint-Amans explained⁷⁴²:

‘I expect such taxes to extend beyond Big Tech in other sectors, such as the pharmaceuticals industry’

Achim Process, Deputy Director at the OECD tax unit, elaborated further⁷⁴³:

‘If people think long-term then pillar 1 will add more tax certainty, because otherwise we will have a pharma tax and so on, you will end up in a world where a market jurisdiction imposes gross taxation typically on the sectors it itself does not have, and so it starts to proliferate’.

⁷⁴⁰ “Temporary” digital services tax risks becoming permanent, says CIOT’, *Chartered Institute of Taxation*, 5 April 2023.

⁷⁴¹ ‘CBI responds to government consultation on introducing a UK Digital Services Tax’, *Confederation of British Industry*, 28 February 2019.

⁷⁴² ‘OECD tax chief warns of trade wars if global deal is not implemented’, *Financial Times*, 30 October 2022.

⁷⁴³ interview 30.

3.2.d. The UK's Trade Aspirations with the U.S. Added Another Economic Challenge

The UK's hopes of securing a post-Brexit trade deal with the U.S. added another layer of economic complexity to the decision to implement a DST. As Britain pivoted away from the EU Single Market, it sought new strategic trade partners – and the US was a priority.

However the DST threatened to derail this ambition. Nick Macpherson, former Permanent Secretary to HM Treasury, recalled⁷⁴⁴:

‘Some in the government were worried that the country was decreasing its chances of securing a trade deal with the US, in the midst of Brexit, by passing the tax’

The concern was not unfounded. In July 2019, Senator Ron Wyden bluntly warned the British government⁷⁴⁵:

‘A trade agreement within the United States and the UK ... will not happen with your digital services tax. Period’.

In a joint statement, Senate Finance Chair Chuck Grassley and Ranking Member Ron Wyden added⁷⁴⁶:

‘Imposing a discriminatory tax that unfairly targets US businesses ... unnecessarily complicates the path forward for a US-UK trade deal’.

Commentators, too, suggested the DST might become ‘a small bargaining chip’ in negotiations, as tax lawyers Robert O’Hare and Jefferson VanderWolk (Squire Patton Boggs) wrote in the *Tax Journal*⁷⁴⁷. As Saint-Amans noted in his memoirs, the threats of U.S. trade retaliation over the DST came from both Republican and Democrat administrations⁷⁴⁸.

Yet, not all UK officials were convinced the tax posed a significant risk to future trade talks. As one HM Treasury official reflected⁷⁴⁹:

⁷⁴⁴ interview 12.

⁷⁴⁵ ‘Wyden threatens US-UK trade agreement over digital services tax’, *Politico*, 11 July 2019; ‘Taxing digital services suggests the government is serious about sovereignty’, *Institute for Government*, 1 April 2020.

⁷⁴⁶ ‘Grassley, Wyden statement on UK digital services tax’, *Senator Chuck Grassley official website, News Releases*, 22 July 2020.

⁷⁴⁷ ‘Analysis : the UK digital services tax: ashes to ashes, DST to dust?’, *Tax Journal*, 26 August 2019.

⁷⁴⁸ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p243.

⁷⁴⁹ interview 7.

‘If we had been so concerned about US trade retaliation, we wouldn’t have introduced a digital services tax in the first place, if you are bothered about that you have to prioritise that, and we would have done what Germany did and not introduce a digital services tax; and also, there were people in the UK government including Philip Hammond who had been foreign affairs minister, who probably doubted you could get a quick free-trade agreement with the US anyway, so it was a fairly easy choice it wasn’t like you could have this free-trade agreement that would be ideal for the UK and you could sign it tomorrow as long as you agree to forego your digital services tax, it wasn’t as good as that. That we passed the tax I think shows that we were not so concerned about it’.

3.3. Conclusion.

To conclude, the research theory posits that political saliency and national economic interests were the primary drivers behind the passing of tax reforms targeting multinationals – particularly Big Tech – in the United Kingdom. This chapter has analysed the adoption of the digital services tax through the lens of a cost-benefit calculation between political gains and economic risks.

The findings lend strong support to the research theory by demonstrating that saliency was a critical driver for tax reform, and that business influence diminished as political pressure increased. At moments of high saliency, the support of critical national sectors was no longer a prerequisite for the successful adoption of a policy.

Although the digital services tax was narrowly targeted at large technology multinationals, which typically lie outside the core of the UK’s critical national sectors, its implementation nonetheless carried potential risks for domestic industries. In particular, the threat of retaliatory trade measures from the United States presented a challenge for UK businesses with strong export interests. This created a dilemma for policymakers, who found themselves caught between mounting political pressure for additional taxation of Big Tech and the economic consequences of unilateral action.

As former tax minister David Gauke noted in a February 2020 article in *Tax Journal*⁷⁵⁰:

⁷⁵⁰ ‘Digital tax reform and the challenges facing policy makers’, *Tax Journal*, 7 February 2020.

‘Policy is always about trade-offs and nowhere is this more apparent (than for the digital services tax), the political cost of caving under US pressure would be huge and the chancellor has no choice but to implement the digital services tax, flawed though it may be’.

Gauke’s reflection captures the broader dynamic observed in this case: political pressure pushed the UK government to act, even in the face of resistance from business actors and external economic threats.

Ultimately, the findings in this chapter indicate that the UK government sought to strike a balance between responding to political pressure while minimising harm to national industries. Yet, when forced to choose, salience prevailed over business opposition.

The next section tests the relevance of two alternative explanations: one grounded in partisan ideology and the other in the role of tax experts and the epistemic community.

4. Alternative Explanations

4.1. The Role of the Epistemic Community

An important alternative explanation for the UK’s digital tax reform centres on the role of the epistemic community. As outlined in the previous chapter, this community – comprising tax experts from HM Treasury, HMRC, the OECD, other national institutions, and academic specialists – has played a significant role in the passing of new tax reforms, in both the UK and French contexts. This section focuses on additional evidence specific to the UK.

If the expert-based explanation holds true, then one would expect the UK government’s position to have been primarily shaped by the views of this expert community. Given the complexity of tax policy, even when the issue becomes politically salient, the details of reform are likely to remain within the purview of specialists rather than the broader civil society.

These experts hold greater technical knowledge and institutional capacity. This pattern is confirmed by the nature of public policy consultations run by HM Treasury. In the consultation on the UK’s Digital Services Tax, which ran from November 2018 to February 2019, the vast majority of respondents were large businesses, business associations, and top-tier accounting firms. Out of 69 respondents, only two individuals and three charities submitted feedback. A few small trade or media businesses also

participated, but likely lacked the specialised tax expertise of professional firms – a plausible assumption, though not one strongly supported by direct evidence.

Overall, it is true that the process was dominated by expert-heavy participants, such as major accounting firms, corporate law firms, and large business associations⁷⁵¹.

Nick Macpherson, former Permanent Secretary to the British Treasury, reinforced this point. His observation pushes back against the notion that the wider public had a decisive influence on the reform process⁷⁵²:

‘The question was politically important but remained self-contained amongst a small group of tax experts’.

This suggests that media attention was not a determining force in shaping policy outcomes. Similarly, Karim Palant, a former policy advisor to the then-Shadow Chancellor acknowledged the influence of Public Accounts Committee Chair, MP Margaret Hodge, while noting⁷⁵³:

‘I think by virtue of being more of a credible figure than the tax activists from non-governmental organisations who were active at the time, Margaret Hodge created momentum, even though I would think there would have been some version of a diverted profits tax without her and the same noise around it’.

However, taken altogether the evidence reveals that the epistemic community had only a limited influence over the final form of the UK’s tax reforms. In fact, some of the most significant reforms – including the Diverted Profits Tax – were implemented in opposition to expert advice.

Tax professionals voiced deep skepticism about the soundness and technical feasibility of the policy, warning that ‘It is very difficult to see how the (diverted profits) tax could work in practice’⁷⁵⁴.

Simultaneously to the passing of the Diverted Profits Tax, the UK government introduced tax incentives with new patent box rules, offering reduced tax rates for intellectual property. The policy was criticised both by experts and by international partners.

⁷⁵¹ HM Treasury, *Digital Services Tax: response to the consultation*, Annex 1 List of respondents, July 2019, pp46-48.

⁷⁵² interview 12.

⁷⁵³ interview 11.

⁷⁵⁴ ‘The abject failure of Osborne’s Google Tax on Diverted Profits’, *Forbes*, 30 January 2016.

Vanessa Houlder, writing in the *Financial Times*, argued that this ‘stick and carrot’ approach – cracking down on tax avoidance while attracting multinationals with new tax incentives – was perceived internationally as inconsistent. The government is ‘spearheading international reforms while launching patent boxes offering a cut-price tax rate for certain types of IP’, Houlder wrote⁷⁵⁵.

David Boubil, Head of the Unit at the European Commission’s Taxation and Customs Union department (DG TAXUD), noted⁷⁵⁶:

‘The UK approach on the taxation of multinationals revealed a certain schizophrenia’.

Grinberg similarly criticised the unilateral reforms, adding⁷⁵⁷:

‘The unilateral implementation of their Diverted Profits Tax despite the clear deviation from global norms make the United Kingdom an exemplar of this model of action (under which regulators gave way to their government’s pressures because of the increase in political salience’.

This tension was also evidence in the reaction of U.S. officials. In June 2015, Robert Stack, the U.S. Deputy Assistant for International Tax Affairs expressed frustration⁷⁵⁸:

‘Countries are going their own way ... Do we have a set of shared rules, or don’t we?’

Expert opinion was similarly opposed to the DST. Most of the epistemic community favoured a harmonised, multilateral approach to taxation. At the Davos summit in January 2020, OECD’s Secretary-General Angel Gurría publicly criticised unilateral DSTs, including the UK’s, warning they would lead to a ‘cacophony and a mess’ and that ‘tensions (were) rising all over the place’.

Angel Gurría urged⁷⁵⁹:

‘The UK government should absolutely hold fire and contribute to a multilateral solution’.

A senior Treasury official the government’s awareness of this tension, recounting⁷⁶⁰:

⁷⁵⁵ ‘Taxation: Unsafe offshore’, *Financial Times*, 13 January 2013.

⁷⁵⁶ interview 1.

⁷⁵⁷ Grinberg, I. (2016), ‘The New International Tax Diplomacy’, *Georgetown University Law Journal*, Vol.104, p1159.

⁷⁵⁸ Stack, R. B. Remarks at the OECD-USCIB Conference, 11 June 2015, in Grinberg, I. (2016), *The New International Tax Diplomacy*, *Georgetown University Law Centre*, p1159.

⁷⁵⁹ ‘UK told to “hold fire” on April tech tax’, *BBC*, 22 January 2020.

⁷⁶⁰ interview 7.

‘The OECD work had started again by 2017 but it was not going anywhere very fast, and the Chancellor, Philip Hammond, asked me when did I think the OECD would reach an agreement, it would have been in 2018 and I said by 2025, and his answer was that is hopeless that is far too long, politically I cannot cope with that, therefore we must introduce the digital services tax’.

This quote highlights the political imperative to act quickly, even if it meant moving against expert consensus.

Even within the epistemic community, there was recognition that expertise alone was not enough to drive reform. John Christensen, director of the Tax Justice Network, acknowledged as early as 2011 that political mobilisation was essential. In *The Guardian*, he reflected⁷⁶¹:

‘If we go back just 10 years, I could probably count the number of people who had a genuine sustained interest in this subject on the fingers of my hands. We were a sad and lonely group who, whilst we understood the issues reasonably well, had no political momentum behind us, and no clear vision of how to gather that political momentum’.

The OECD itself recognised the importance of public mobilisation in its February 2013 report on Addressing Base Erosion and Profit Shifting (BEPS), where it commended UK media and tax campaigners – particularly *The Guardian*’s Tax Gap series – for bringing the weaknesses of the international tax system to light.

Richard Murphy noted that the report ‘applauded newspapers like the Guardian and campaigners alike, it says that unless there is fundamental reform, corporation tax on multinational companies will collapse’⁷⁶².

In conclusion, the evidence substantially weakens the claim that the epistemic community was the primary driver of tax reforms in the UK. While tax experts were indeed engaged and often prescient in identifying the problems, their views were neither decisive nor consistently heeded in the policymaking process. The digital services tax, in particular, underscored a clear divergence between expert recommendations and political action.

⁷⁶¹ ‘Holy cow, taxman! Featherweight activist battles the dodgers’, *The Guardian*, 7 July 2011.

⁷⁶² ‘OECD calls for crackdown on tax avoidance by multinationals’, *The Guardian*, 12 February 2013.

Faced with rising media attention and political urgency, policymakers moved forward with reforms that experts had warned against. In the political arena, it was political salience – not epistemic consensus – that proved more influential.

4.2. Taxation as a Partisan Issue

The theory of partisanship is a major school within political science, especially in analyses of policy decision-making in liberal democracies. As a second alternative explanation explored in this research, partisanship is central to understanding the policy directions governments take, and it has long been used to explain a wide range of policy outcomes.

As discussed in the partisanship section in the Theory Chapter, a significant body of academic literature links the political ideology of ruling parties to the types of policies they pursue. Partisan theories argue that policy choices are shaped by the political and economic coalitions in power: governments implement reforms that reflect the preferences of their electoral base. In this framework, certain issues are generally associated with the political Left, and others with the Right.

For the partisan hypothesis to be confirmed in this case, the findings must show that the UK government's position on taxing multinationals was driven by the preferences of its voter base. A left-leaning government would be expected to push for more robust and swifter tax reforms. Conversely, a right-leaning government would likely be more receptive to business concerns, favouring longer-term, internationally coordinated solutions. Put simply, if partisanship explains policy change, then significant tax reforms targeting tech multinationals should be more likely under left-leaning governments.

From 1997 to 2010, the UK was governed by the centre-left Labour party. In 2010, a coalition was formed between the right-wing Conservative Party and the centrist Liberal Democrats, lasting until the 2015 general elections. After 2015, the Conservative Party held a majority government through to 2024. As taxation became increasingly politicised, the Conservative government responded defensively to criticism from the political Left.

Following accusations from Labour Leader Ed Miliband, a government spokesperson retorted⁷⁶³:

‘Labour had 13 years to tackle international tax avoidance but they did nothing’.

⁷⁶³ ‘Miliband pledges tax crackdown’, *Daily Express*, 18 May 2013.

Contrary to what partisan theory would predict, the main domestic tax reforms – the Diverted Profits Tax (DPT) and the Digital Services Tax (DST) – were introduced under right-leaning governments. The Conservative-led coalition government, under Prime Minister David Cameron and Chancellor George Osborne, introduced the DPT in 2014, and publicly criticised corporate tax avoidance.

In January 2015, the government’s Economic Secretary to the Treasury defended the DPT in Parliament⁷⁶⁴:

‘Where companies in the UK are going to extraordinary lengths to avoid paying their fair share of tax, we will act to prevent that. That is why the Government have introduced the new diverted profits tax, to counter the use of aggressive tax planning by large multinationals to avoid paying tax in the UK’.

The DST was also introduced under a right-leaning government, during the premiership of Theresa May. It was then implemented by her successor in the Conservative Party, under Prime Minister Boris Johnson, with Philip Hammond, Sajid Javid, and Rishi Sunak serving successfully as Chancellors of the Exchequer.

Additionally, while it is true that Labour called for a more ambitious reform ‘in scope and scale’⁷⁶⁵, their proposals were not markedly different. Shadow Chancellor John McDonnell produced a comprehensive report in 2019 on the taxation of multinationals and corporation tax⁷⁶⁶. However, this came a year after the Conservative government had already committed to the DST in the 2018 Budget. Moreover, McDonnell’s proposals largely mirrored the government’s approach rather than presenting a significant departure.

Parliamentary debate further underscored the bipartisan consensus around the DST. The legislation faced little opposition and garnered broad support across party lines⁷⁶⁷. One particularly illustrative moment came from Conservative MP Neil O’Brien, who, despite being a proponent of tax cuts – praising reductions for ‘hard-working people in the small firms in my constituency’ – nevertheless endorsed the DST. He explicitly supported taxing⁷⁶⁸:

⁷⁶⁴ UK Parliament Hansard, Rt Hon Andrea Leadsom, Diverted Profits Tax, Volume 590: debated on Wednesday 7 January 2015.

⁷⁶⁵ House of Commons, Public Bill Committee, Finance Bill, Fifth Sitting, 11 June 2020, cc128-9, c132.

⁷⁶⁶ ‘Taxing Multinationals: A New Approach’, *Public Services International*, 27 October 2019; ‘UK Labour Party proposes major changes to corporate taxation’, *Bloomberg Tax*, 15 November 2019.

⁷⁶⁷ House of Commons Library, Digital Services Tax, Research Briefing, 15 February 2022, p30.

⁷⁶⁸ UK Parliament Hansard, Digital Taxation, Volume 638: debated on Tuesday 27 March 2018.

‘The largest international businesses only ... (and with) a clear distinction between tech businesses and other international firms’.

There is also little evidence that left-leaning politicians devoted more sustained attention to taxing multinationals than their counterparts on the Right. In the run-up to the 2015 general elections, Margaret Hodge criticised Labour leader Ed Miliband for treating tax reform as ‘anti-business’⁷⁶⁹.

Members of the Labour Party’s left wing gathered around Jeremy Corbyn, who succeeded Miliband as leader. While Corbyn initially sought the expertise of Richard Murphy – founder of the Tax Justice Network – for his campaign’s tax policy platform, he quickly distanced himself from both Murphy and the broader agenda of tax justice, shifting his focus to public spending and other economic policies⁷⁷⁰.

In sum, there is no clear indication that taxing multinationals became a distinctly partisan issue in the UK. Both Labour and Conservative parties proposed reforms, but the most substantial legislative changes – the DPT and DST – were introduced by right-leaning Conservative governments. The lack of a consistent partisan pattern, limited ideological divergence in policy design, and cross-party support in Parliament all suggest that partisanship played a minimal role in driving tax reform. Instead, political imperatives and political salience appear to have been more influential.

5. Conclusion of Chapter 3: The United Kingdom

This chapter has examined the drivers behind the adoption of tax reforms in the United Kingdom. It shows that turning taxation into an area of noisy politics was an important step in moving the policy process forward. The British government sought to deliver a deal which responded to mounting political pressure while minimising disruption to critical national industries.

The findings demonstrate that a multilateral agreement was the government’s preferred solution, but only insofar as it could be delivered within the timeframe demanded by the political urgency of the case. When international negotiations failed to keep pace with domestic political pressure, the digital services tax was adopted as a second-best option. It satisfied the political needs for immediate actions, despite being opposed by business leaders.

⁷⁶⁹ Hodge, M. (2016), *Called to account*, Abacus Editions, p107.

⁷⁷⁰ ‘The man behind Corbynomics: an accountant from leafy Norfolk’, *The Guardian*, 11 September 2015.

The research theory integrates salience-based and interest-based explanations. It shows that policymakers sought to design reforms that met the expectations channelled by political entrepreneurs and intense media coverage, without harming key economic sectors. To borrow from American football: political salience acted as the quarterback – setting the momentum – while policymakers were positioned to catch the ball and run in the right direction once salience had taken off.

The first part of the analysis confirms the salience hypothesis: tax reforms only occurred once the issue entered the public arena and voters began to care about the issue. These findings support the salience theory's central claim – that as an issue becomes relevant to a broader pool of voters, through the actions of key intermediaries such as political entrepreneurs and legacy media, governments shift away from the preferences of industry actors.

From the early 2010s, a new audience began to engage with how tax rules were designed, turning the matter into a widely debated political topic. Elected officials contributed to this shift through public interventions, sustaining and amplifying the visibility of the tax agenda. This transformation – from a technical matter to a politically salient one – opened a policy window through which reforms could pass. Policymakers were able to 'surf the wave' of political momentum to advance tax reform proposals.

The chapter highlights the critical role played by legacy media and political entrepreneurs in sustaining and amplifying salience. In particular, the parliamentary Public Accounts Committee – under the chairmanship of Margaret Hodge MP – proved instrumental in raising the visibility of the tax debate and maintaining pressure for reform.

Secondly, the chapter tests the explanatory power of the interest-based theory, which expects governments to protect their critical industries. Yet, the findings reveal that even in the face of economic risks linked to the digital services tax – such as potential retaliatory tariffs – the British government proceeded. This suggests that, at times of high salience, political pressure can override the preferences of industry leaders.

Finally, the chapter finds no convincing evidence in support of the two alternative explanations – partisanship or the epistemic community. Governments supported or opposed unilateral reforms and pursued international negotiations regardless of the ruling party's ideological orientation. The issue of how to tax tech multinationals did not appear to be 'owned' by any particular political party. As for the epistemic community, tax experts were only able to advance reform proposals once political salience had erupted. This suggests that while experts played an important supporting role, they were not the driving force behind the adoption of new tax reforms.

CHAPTER 4: THE BEPS 2.0 INTERNATIONAL TAX NEGOTIATIONS (2016-2021)

1. Introduction

This chapter concludes the research by analysing the key drivers behind the successful conclusion of the international tax agreement in October 2021. Following the publication of the Fifteen Actions of BEPS 1.0 in 2015, the Base Erosion and Profit-Shifting (BEPS) project was re-launched in June 2016 under a new format: the Inclusive Framework. This expansion allowed countries beyond the G20 to participate in negotiations.

The inaugural meeting of BEPS 2.0 took place in June 2016 with 82 member jurisdictions. By the time the agreement was signed in 2021, participation had grown to 137 jurisdictions. In the final phase of negotiations beginning in May 2021, the OECD tax directorate – which led the talks – established a new Steering Group composed of just 24 jurisdictions out of the 135 participants in the Inclusive Framework.

Within the Steering Group, an even smaller informal grouping was created. As the former OECD tax director Pascal Saint-Amans explained⁷⁷¹:

‘(We included) several European countries, the United States and India, and a regular consultation with African countries, (because) nothing will happen if these countries do not agree on it, there is no use to have a conversation with more members if these ones are not okay with it first’.

This chapter focuses on the roles played by France, the European Union, the United Kingdom, and the United States during international tax negotiations. While the BEPS project included many decision-makers, these four actors were particularly influential. The findings of this chapter bring important insights for this research on the drivers of tax reform in analysing power dynamics at the international level of tax negotiations.

The research theory combines the explanatory power of political saliency with the influence of national economic interests. If both factors are present at the international level, the findings should indicate that governments aim to conclude a global tax agreement that both mitigates business exposure and responds to mounting political pressure at home.

⁷⁷¹Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p279.

Previous chapters have looked at the role of political salience in tax policy. The findings have shown that business preferences do not always prevail – and that their occasional loss can be explained by the rise in political salience. The more political figures and legacy media cared about how multinationals were taxed, the less influence businesses had over the outcome.

Whereas business interests typically favour no tax or minimal taxation, a series of corporate tax scandals in both the UK and France moved taxation into the public spotlight, where key political entrepreneurs and legacy media called for higher taxes on multinationals operating within national borders. In response to domestic pressure, unilateral reforms were implemented which acted as stopgap solutions for addressing immediate public outrage over tax loopholes. The international negotiations, by contrast, were meant to produce a longer-term, coordinated outcome.

This chapter builds on the findings in the earlier chapters by examining how demand-side politics – driven by political salience – shaped the international tax reform process. At the same time, it evaluates the role of supply-side constraints, in particular, national economic interests vis-à-vis both multinationals and foreign trading partners.

Furthermore, at the international level, governments operate differently than in the domestic sphere. The research theory expects that international negotiations are more strongly shaped by national economic interests, as governments aim to protect their strategic sectors in the conclusion of multilateral agreements. Nevertheless, the theory also holds that salience continues to be a core driver of reform, even in the international context. It was the eruption of salience that created the political momentum necessary for countries to agree on a deal.

This chapter contributes to the liberal intergovernmental perspective. As outlined in the theory chapter, liberal intergovernmentalism offers a two-step explanatory model. First, it argues that state preferences are shaped by the interests of critical national sectors. Second, it expects that the outcomes of international negotiations reflect a compromise between the economic interests of the states with the greatest bargaining power. Even non-realist scholars acknowledge the utility of this framework for analysing international policymaking⁷⁷².

The following sections explore the roles of national economic interests and political salience in shaping the two pillars of the international agreement. The final section revisits the epistemic community as a critical alternative explanation.

⁷⁷² Rosamund, B. (2000), *Theories of European Integration*, Bloomsbury Publishing, p145.

2. The BEPS 2.0 International Negotiations

2.1. The Start of BEPS 2.0

Sign of the importance of the project, at each significant G20 and G7 summit, the taxation of multinationals returned to the agenda. The OECD tax director recalled that⁷⁷³:

‘BEPS became one of the primary goals of the G20’.

Governments tracked the OECD’s progress throughout international summits – openly and frequently. G20 summits in particular set the tempo for negotiations. Following the launch of BEPS 2.0., the OECD’s Inclusive Framework – which includes both OECD members and non-members – convened multiple times per year, with both heads of state or finance ministers, during G20 meetings or in stand-alone separate OECD forums. The inclusion of supportive statements in summit declarations underscored the issue’s political priority.

For example, at the G20 summit in Baden-Baden, Germany, in March 2017, G20 Leaders requested a progress report on BEPS 2.0 to be written, which the OECD published on March 16th, 2018. The report aimed at advancing discussions on taxing the increasingly digitalised economy⁷⁷⁴. The OECD presented its interim report to G20 finance ministers in Buenos Aires on March 19th, 2018, and again at the European summit in Sofia in April 2018.

The Leaders’ Declaration in March 2017 clearly endorsed the OECD’s work on BEPS⁷⁷⁵:

‘We will continue our work for a globally fair and modern international tax system. We remain committed to a timely, consistent and widespread implementation of the Base Erosion and Profit Shifting package, welcome the growing membership of the Inclusive Framework on BEPS and encourage all relevant and interested countries and jurisdictions to join (...) We call on all jurisdictions to sign and ratify the multilateral Convention on Mutual Administrative Assistance in Tax Matters and urge all relevant jurisdictions which have not yet done so to commit without delay (...) We look forward to the OECD’s preparation of a list by the Leaders’

⁷⁷³ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p149.

⁷⁷⁴ OECD (March 2018), *Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁷⁷⁵ G20 Finance Ministers and Central Bank Governors Meeting (17-18 March 2017), *Communiqué*, Baden-Baden, Germany, p4.

Summit in July 2017 of those jurisdictions that have not yet sufficiently progressed towards satisfactory level of implementation of the agreed international standards on tax transparency. Defensive measures will be considered against listed jurisdictions. We continue to support targeted assistance to developing countries in building their tax capacity (...) We ask the OECD and the IMF to assess progress in enhancing tax certainty in 2018 (...) We will further work on this issue through the Task Force on the Digital Economy and ask for an interim report’.

This call was reiterated in the G20 Leaders’ Declaration in July 2017, in Hamburg, Germany⁷⁷⁶. Then, at the June 2018 G7 summit in Canada, OECD progress continued to be reviewed, though tensions surfaced in the press – particularly regarding national digital taxes and the U.S. threat of retaliatory trade measures⁷⁷⁷.

At the following G20 meeting in Buenos Aires in December 2018, the OECD reported on the Inclusive Framework’s progress since the summer. Countries focused on two dimensions of the reform: the renegotiation of profit reallocation rules and the creation of a global minimum tax.

The OECD’s Policy Note, published in January 2019 and forming the basis of the agreement, acknowledged the ‘intense political pressure to tax highly digitalised MNEs’⁷⁷⁸. As the OECD tax director observed, political salience transformed the nature of international tax negotiations⁷⁷⁹:

‘If we step back and look at what’s happened over the past five years, we have moved from tax being just a tax geek thing to tax being a political item on the G-20 and many governments’ agendas’.

This series of evidence is critical in supporting the research theory’s claim that political salience was the main driver for policy change.

Additionally, each progress report was issued under a ‘without prejudice’ clause, meaning countries were free to discuss both the principles and mechanics of the proposals without being bound to any specific outcomes.

⁷⁷⁶ G20 (7-8 July 2017), Leaders’ Declaration, Shaping an interconnected world, Baden-Baden, Germany.

⁷⁷⁷ ‘Will the G7 summit be dominated by a trade row?’, *BBC*, 8 June 2018.

⁷⁷⁸ OECD (29-30 January 2020), Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy, OECD/G20 BEPS Project, Paris: *OECD Publishing*, p7.

⁷⁷⁹ Johnston, S. S., Conversation: Pascal Saint-Amans, *Tax Notes*, February 2017.

This clause reflected the strategic desire of countries to maintain bargaining power and flexibility, allowing them to explore reform options without prematurely committing⁷⁸⁰ – it shows the critical role of economic interests in countries’ final decisions at the international level.

2.2. The Political Saliency of An International Solution

Furthermore, the previous empirical chapters have already provided evidence of the eruption of political saliency surrounding the taxation of tech multinationals. This section adds further insight on the role of political saliency at the international level. If the research theory is correct, governments engaged in international tax negotiations in response to a political problem brought to prominence by media coverage of loopholes in multinational taxation, in particular concerning Big Tech.

The findings have indicated that governments commissioned the OECD to work on BEPS amid growing media scrutiny and political attention on how to tax multinationals. The BEPS project aimed to address these concerns by seeking ‘to better align rights to tax with economic activity’⁷⁸¹.

Indeed, the international tax negotiations – in particular the debate over the reallocation of taxing rights between countries – carried significant political weight. The findings show that governments were particularly concerned with responding to political pressure for reforming the taxation of multinationals, and in particular Big Tech, which were at the forefront of media coverage.

For instance, the political saliency of taxing multinationals in the UK, especially Big Tech, is reflected in the British government’s communication strategy. After the global minimum tax agreement was finalised in Autumn 2022, the British Treasury tweeted that this reform would ‘make sure multinational corporations, including Big Tech ... pay their fair share in UK tax’⁷⁸².

This statement underscores the government’s focus on reshaping international tax rules for tech giants: indeed, the government not only tweeted about the agreement, but it specifically referred to Big Tech.

Similarly, for France, international tax reforms were also inherently political. Former French Finance Minister Eric Woerth reflected on his time in office⁷⁸³:

⁷⁸⁰ *Idem*, p1.

⁷⁸¹ OECD (July 2013), *Action Plan on Base Erosion and Profit Shifting*, Paris: OECD Publishing.

⁷⁸² HM Treasury, ‘Making sure multinational corporations pay their fair share in UK tax’, *Twitter*, 17 November 2022.

⁷⁸³ interview 15.

‘We started looking at international tax rules following the financial crisis of 2008, we (the French government) asked the OECD, along with Germany and other member-countries, to organise a new working group on how to rethink international tax rules. The definition of the permanent establishment, the Base Erosion and Profit Shifting project... it was launched by this action’.

Further reinforcing the political angle, in April 2021, when asked about progress on global minimum tax negotiations, the French Finance Minister highlighted the ‘Taxation of Big Tech’ as a central outcome of the potential agreement – even though the reform applied more broadly⁷⁸⁴.

Again in June 2021, after an initial international agreement was signed, French Finance Minister Bruno Le Maire tweeted a video declaring⁷⁸⁵:

‘After four years of battle at the European and international levels, France won, there will be a taxation of the digital’.

Although the agreement addressed all multinationals operating across borders through digitalisation, the tweet’s headline explicitly stated that the agreement concerned ‘The minimum taxation of businesses and digital giants’. The use of the phrase ‘digital giants’ clearly pointed to tech multinationals, underscoring their political prominence.

In other words, both the French and British governments focused their public messaging on the reform’s impact on the most salient corporate actors, despite the broader scope of the agreement. It reinforces the claim that political saliency was a central element of the passing of tax reforms – media attention centred on Big Tech taxation, as this research’s study of media coverage has shown, and governments responded accordingly in targeting their messaging to the impact of international taxation on tech multinationals.

As the rest of this chapter reveals, the international agreement focused on two main aspects – reallocating taxing rights and setting a global minimum tax rate. The former, reallocating taxing rights, carried more political weight as it directly addressed the most salient issues targeting the taxation of Big Tech.

⁷⁸⁴ ‘Taxation mondiale des entreprises : la France a-t-elle vraiment soutenu un taux élevé de 21% ?’, *Libération*, 1 July 2021.

⁷⁸⁵ Le Maire, B., ‘Nous y sommes !’, *Twitter*, 5 June 2021.

With this in mind, another strong evidence on the political dimension of international tax negotiations was given by Chris Giles, from the *Financial Times*, who emphasised the political element of the agreement as opposed to an economic-based decision⁷⁸⁶:

‘The UK benefits more from Pillar Two (the global minimum tax) in terms of revenues, but there is a perception that Pillar One (the reallocation of profit to market countries) is crucial, so the UK has always been this country that has been going on to say that companies have to pay tax where they do business. Even though it doesn’t raise a lot of money you would know that it solved a political question of these Big Tech companies going to pay their fair share ... there was a period when there were talks of just doing Pillar Two, but the UK was opposed to doing the deal without Pillar One because it is what matters to the UK politically, not necessarily financially’.

Equally, Mike Williams, director for business and international tax at HM Treasury shared⁷⁸⁷:

‘The UK was more interested in Pillar One (as opposed to Pillar Two) from the start, we certainly needed to solve the digital tax issue’.

The evidence above strongly supports the claim that political salience was the primary driver of policy change. While the introduction of a global minimum tax promised increased revenues, the UK government prioritised the reallocation of taxing rights – treating it as a policy cornerstone, and even as a prerequisite for agreeing to the other side of the international deal. In this case, political salience took precedence over economic gains. More details on the dual aspects of international tax negotiations are discussed in the following section.

2.3. The Strategic Role of the Two-Pillar Solution in Reconciling Diverging Interests

Countries in the international tax negotiations entered the process with distinct national goals for the outcome of a cross-border agreement. These divergent aims led to the division of the BEPS 2.0 negotiations into two ‘pillars’, which formed the basis of the final global agreement. This section briefly reviews countries’ interests in each pillar and the making of a Two-Pillar Solution.

Pillar One

⁷⁸⁶ interview 39.

⁷⁸⁷ ‘Hashing Out the Pros and Cons of a Global Minimum Tax: Transcript’, *Tax Notes*, 30 September 2021.

Pillar One was largely driven by European governments, including the UK and France, which pushed for a reallocation of profits to market jurisdictions. Their demands were rooted in rising political pressure to ensure that major tech firms pay tax where economic activity takes place.

As one HM Treasury official explained⁷⁸⁸:

‘Pillar One is about making people pay tax in the right place, the answer of some US groups is oh we pay tax why are you so bothered about this, and my answer to this is you know it is not just children in California that need their education paid for, you need also children in Coventry or Marseille or other places’.

This evidence underscores the central issue at the heart of the Pillar One international negotiations: the reallocation of taxing rights over multinational corporations. It reinforces the claim that the policy process was driven by a combination of political salience and economic interests. French and British were under pressure to respond to reform the tax system for multinationals operating within their jurisdiction.

However, the U.S., home to most of the largest multinationals, was concerned that profit reallocation under Pillar One would diminish its own tax revenues. Shifting taxing rights to market jurisdictions risked diverting a larger share of multinational profits to be taxed abroad, reducing the portion taxed in the U.S. as the home country.

During the first BEPS negotiations, the Obama administration had opposed such efforts, making the implementation of Action 1, on a redefinition of the permanent establishment definition, optional. At the time, U.S. negotiator Robert Stack urged other countries⁷⁸⁹:

‘To acknowledge the sometimes unpleasant reality that very often there’s not much value added in their jurisdictions’.

In October 2017, during an OECD Inclusive Framework summit, Robert Stack – known to most as Bob – reiterated the U.S.’s stance against a reallocation of taxing rights away from multinationals’ home jurisdiction. With pointed rhetorical resistance, he told his international colleagues:

‘Should Bob pay for everyone’s lunch? And you’d all say, well of course’⁷⁹⁰.

⁷⁸⁸ interview 7.

⁷⁸⁹ Hakelberg, L. (2020), The Hypocritical Hegemon. How the United States shapes global rules against tax evasion and avoidance. Cornell University Press, p122.

⁷⁹⁰ Stack, R. (2017), *Tax Notes International*, Vol.87, 715, 717.

This quote further illustrates the U.S.’s resistance to shifting taxing rights from home to market jurisdictions.

Germany harboured similar concerns about Pillar One. With its strong export-oriented economy, it feared losing taxing rights on high-value sectors like the car industries. A British Treasury official recalled⁷⁹¹:

‘Germany has never had much interest in the digital problem, it has never have adopted a digital services tax, and was not terrible bothered about Pillar One, so they said let us focus on Pillar Two, and of course our answer and the French answer was well we ask you to bother’.

A German official in Brussels similarly noted⁷⁹²:

‘We said that we shouldn’t wait until the outcome of Pillar One to make the other one successful’.

Pillar Two

The second aspect of the international deal focused on setting a global minimum tax rate. Although the idea of a global minimum tax was introduced as early as the first BEPS negotiations, it did not initially gain traction.

At the 2015 G20 summit in Ankara, U.S. delegate Chip Harter proposed such a tax⁷⁹³. While the proposal was unsuccessful at the time, it signalled an early recognition of the need to curb profit-shifting to low-tax jurisdictions. The underlying objective was to reduce incentives for shifting profits overseas and to retain a greater share of corporate tax revenue within the U.S..

Indeed, the introduction of a global minimum tax became particularly aligned with U.S. interests, as it sought to curb base erosion through profit shifting to low-tax jurisdictions. Relatively high-tax and industrial countries such as the U.S. or Germany supported this approach as a way to constrain tax havens – not only they could be home to multinationals, but they would not face competition from low-tax jurisdictions.

⁷⁹¹ interview 7.

⁷⁹² interview 34.

⁷⁹³ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p175.

Substantive negotiations on a global minimum tax only began in earnest after the passing of the U.S. tax reform in 2017. The latter changed the U.S. position in increasing the incentives for a global minimum deal, as under the 2017 domestic tax reform U.S. multinationals would be subject to a minimum tax – it was better for the competitiveness of U.S. businesses to introduce a minimum tax rate for all companies worldwide than having one only targeting U.S. companies.

Further details will be given on the U.S. tax reform later in this chapter. The main point to take away here is that the reform changed the U.S. position in international negotiations by motivating the government to introduce a form of global minimum taxation.

The Two-Pillar Solution : Strategic Bargaining Between Nations

As a result, countries had distinct interests on whether to support Pillar One, Pillar Two, or both of them. Published on January 23, 2019, the OECD's publication of a Two-Pillar Solution in January 2019 was a critical turning-point in the negotiations. It aimed to bring together the strategic interests of different nations.

Mike William, director for business and international tax at HM Treasury, recalled in a panel⁷⁹⁴:

‘Fairly on, it became clear that the only way we were going to get a consensus deal was by having both pillars in the project and having solutions reflected in both pillars’.

Following the publication of the Policy Note, participants in BEPS 2.0 endorsed the OECD's two-pillar architecture. The OECD was tasked with reporting progress on both pillars at the G20 Finance Ministers' meeting in Fukuoka in June 2019⁷⁹⁵.

The Policy Note introduced two distinct pillars aimed at reconciling national interests and updating the international tax framework. Its objective was twofold: to ‘share the pie’ by reassigning taxing rights and to ‘grow the pie’ by curbing harmful tax competition. Pillar One sought to reallocate taxing rights across jurisdictions, especially in relation to where multinational enterprises generate value. Pillar Two focused on introducing a global minimum tax, effectively placing a floor on tax competition between states.

⁷⁹⁴ ‘Hashing Out the Pros and Cons of a Global Minimum Tax: Transcript’, *Tax Notes*, 30 September 2021.

⁷⁹⁵ OECD (23 January 2019), *Addressing the Tax Challenges of the Digital Economy – Policy Note*, as approved by the Inclusive Framework, Paris: OECD Publishing, p3.

This two-pillar architecture reflected the conflicting priorities of key participants in the negotiations. Whereas France and the UK were broadly supportive of Pillar Two, their overriding political priority was to secure new rules on the allocation of taxing rights, particularly for digital firms, under Pillar One. On the other hand, the U.S. was motivated to support Pillar One only if it was a necessary concession to achieve a global minimum tax under Pillar Two.

As an OECD tax official explained⁷⁹⁶:

‘The US wants Pillar 2 to protect the competitiveness of US multinationals, so that they’re not alone in being subject to a minimum tax... Flipside is that it’s a joint package, so if the US doesn’t give Europe pillar 1, the response will be that they will get digital services taxes’.

Dan Neidle, a British tax lawyer and investigative journalist, concluded⁷⁹⁷:

‘Europe wants Pillar 1; Pillar 2 mainly raises money for the US - it's a *quid pro quo*.’

Further evidence on these conflicting priorities are found in the U.S. Treasury letter to European participants in the summer 2020. In June 2020, the U.S. government formally requested a pause on Pillar One to focus exclusively on concluding Pillar Two.

On June 12th, 2020, U.S. Treasury Secretary Steven Mnuchin sent a letter to European countries that had enacted digital services taxes, including France, the UK, Spain, and Italy. He urged them to suspend their unilateral measures and shift attention solely to Pillar Two. Citing the Covid-19 pandemic, Mnuchin wrote⁷⁹⁸:

‘The United States does not believe 2020 is a suitable time to be conducting such negotiations ... Attempting to rush such difficult negotiations is a distraction from far more important matters. The United States therefore calls upon the OECD to pause discussions of Pillar 1, with a view towards resuming later this year ... Because an agreement on pillar 2 does not present the same challenges as pillar 1, the United States fully supports bringing those negotiations to a successful conclusion this year’.

⁷⁹⁶ interview 40.

⁷⁹⁷ interview 49.

⁷⁹⁸ U.S. Department of the Treasury, U.S. Secretary of the Treasury Steven Mnuchin, Letter to Bruno Le Maire, Roberto Gualtieri, Maria Jesus Montero Cuadrado, Rishi Sunak, 12 June 2020.

However, the four European countries addressed in the letter rejected this proposal. On June 17th, 2020, finance ministers from France, Spain, Italy, and the UK co-signed a letter reiterating their commitment to both pillars. They wrote⁷⁹⁹:

‘Digital giants, no matter where they are headquartered, will emerge from the current crisis more powerful and more profitable. These companies benefit from free access to the European market. It is fair and legitimate to expect that they pay their fair share of tax within countries where they create value and profit. Therefore, we believe that postponing our work and not addressing these challenges would constitute a collective failure ... We think it feasible to concretely deliver a solution to a 2020 timetable in line with the G20 mandate. Building on the outcomes of technical work already advanced at the OECD, we believe that a phased approach, initially focused on automated digital services, would considerably ease the task of achieving a consensus-based solution and make a political agreement within reach this year’.

Following this exchange, the G20 instructed the OECD in July 2020 to continue working on both pillars and to present progress reports at the G20 Finance Ministers’ summit in October 2020. This experience shows that, due to conflicting priorities, countries made their support for one pillar contingent on progress in the other. This conditionally helped keep stakeholders – especially the U.S. – engaged in both tracks of negotiation. This is a key body of evidence in supporting the claim that national economic interests mattered in the conclusion of an international tax agreement.

Similar tensions emerged in Spring 2021. Julian Feiner, a London-based tax lawyer who closely followed the policy developments, recalled⁸⁰⁰:

‘Rishi Sunak was slowing down on Pillar Two only because he wanted assurance that Pillar One would happen, he was saying that the UK agreed to suspend the digital services tax on the basis that we would have a two-pillar package, so he was saying we want Pillar Two but it has to be with Pillar One’.

Thus, the Trump administration’s attempt to decouple the two pillars in the summer of 2020 – by focusing exclusively on Pillar Two – was met with resistance from countries that had already implemented digital services taxes. This is because governments negotiating at the OECD had a strategic interest in keeping both pillars tied together.

⁷⁹⁹ Finance Ministers Bruno Le Maire, Roberto Gualtieri, Maria Jesus Montero Cuadrado, Rishi Sunak, [Letter to US Secretary Steven Mnuchin](#), 17 June 2020.

⁸⁰⁰ interview 38.

The role of the U.S. was pivotal –whereas Pillar One negotiations did not stall, progress was minimal in the second half of 2020 without the full support of the U.S. It is the inauguration of the Biden administration in January 2021 which revitalised the negotiations, highlighting the central role of the U.S. in the negotiations.

Indeed, after the new U.S. Treasury Secretary Janet Yellen agreed to link support for Pillar One with progress on Pillar Two, the momentum re-started. On February 26th, 2021, Treasury Secretary Janet Yellen confirmed US support for both pillars and officially dropped the ‘safe harbour’ proposal for profit reallocation⁸⁰¹.

This is in line with Moravcsik’s liberal intergovernmental theory, according to which the country with the highest bargaining power will have more influence in international decision-making. More details will be given on the details of these negotiations in the following section.

Christopher Condon, a *Bloomberg* journalist based in Washington, D.C. described the shift following the change in administration⁸⁰²:

‘The Biden administration has been given credit for reviving the talks in 2021, Yellen got rolling, they agreed to support pillar 1 in exchange for pillar 2, and promised an agreement will be made between January to July 2021’.

Reflecting the renewed momentum at the OECD/Inclusive Framework meeting, Pascal Saint-Amans recounted that the British Prime Minister captured the moment’s urgency by declaring:

‘Let’s get it done!’⁸⁰³.

Following the U.S. renewed commitment to the Two-Pillar solution, UK Prime Minister Boris Johnson and Chancellor Rishi Sunak elevated the Two-Pillar framework to the top of the G7 agenda in June 2021, during the summit hosted in London. This led to an initial agreement that paved the way for its finalisation in October 2021⁸⁰⁴.

In other words, the U.S. was a pivotal actor for the progress of international tax negotiations in holding a *de facto* veto power in setting the pace and direction of the negotiations were critical. The arrival of a

⁸⁰¹ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p273 ; ‘US drops “safe harbour” condition on global business tax reform’, *Industry News*, 1 March 2021.

⁸⁰² interview 33.

⁸⁰³ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, 2023, p273

⁸⁰⁴ *Idem*, p285.

new U.S. administration in January 2021 offered the OECD a chance to move forward. This is a key piece of evidence in supporting the claim that although political salience created momentum for tax reforms, economic interests constrained the policy options available to policymakers. Precisely, the bargaining power of the U.S., as the world's largest economy and home to Big Tech and the majority of multinationals, set the boundaries of international tax negotiations.

In sum, the evidence suggests that international tax negotiations were driven by strategic bargaining between nations with relative bargaining power and determined to protect their economic interests, while resolving the political challenge of taxing Big Tech. The linkage of both pillars became a decisive mechanism for aligning competing national interests. The next two sections will now examine each pillar in greater detail.

3. Profit Reallocation (Pillar One Amount A)

Pillar One consists of two components: Amount A and Amount B. This research concentrates on Amount A, the more advanced and politically significant aspect of the framework for France and the UK. Indeed, Amount A addresses the core political concerns in Europe, particularly the demand to reallocate taxing rights in favour of market jurisdictions. It aimed to redefine how taxing rights are allocated across jurisdictions. It was the continuation of the efforts in BEPS 1.0 to redefine the concept of a permanent establishment: Governments redesigned international tax rules so that a portion of multinationals' profits could be taxed in market jurisdictions, rather than solely in their headquarters' country.

The second component, Amount B, remains in an early stage of development, even at the time of concluding this research. Its primary goal is to simplify the application of the arm's length principle for baseline marketing and distribution activities. It aims to provide a more streamlined approach for low-capacity countries to effectively administer taxation, and is beyond the scope of this research.

Amount A was a central challenge in international tax negotiations. In essence, negotiations revolved around the distribution of tax revenues among countries. As tax scholar Ruth Mason noted⁸⁰⁵:

'Bargaining over national self-interests will likely determine (their) outcome'.

⁸⁰⁵ Mason, R. (2020), 'The Transformation of International Tax', *American Journal of International Law*, Vol.114, Issue 3, p382.

Tim Cook, Apple's CEO, echoed this sentiment⁸⁰⁶:

'At the root of this, people really aren't arguing that Apple should pay more taxes. They're arguing about who they should be paid to. And so there's a tug of war going on between the countries of how you allocate profits'.

Similarly, the OECD's chief negotiator, Pascal Saint-Amans, remembered the process as⁸⁰⁷:

'Constant haggling over years of negotiations'.

This set of evidence is significant because it highlights the underlying nature of the Pillar One negotiations. Countries sought to protect their own self-interest in shaping international tax policy. It shows that governments were motivated by domestic political imperatives and the protection of their national economic sectors in international tax negotiations. The rest of the Chapter will add further details on this dynamic by showing that governments with the highest bargaining power, and in particular the U.S., were able to set the pace of the negotiations. As Thucydides said⁸⁰⁸:

'The strong do what they can and the weak suffer what they must'.

3.1. The Scope of Pillar One

This section brings further evidence on the strategic interests at play during international negotiations. It supports the claim in the research theory that economic interests and states' bargaining power constrained governments' responses to the eruption of political salience. Indeed, it shows that although the French and British governments were primarily focused on digital firms, they had to concede to expanding Pillar One to include all large multinationals to bring the U.S. onboard in the conclusion of an international tax agreement.

The first step in negotiating a reallocation of taxing rights was to agree on a common scope for the reform. While countries disagreed on the exact scope, they agreed on the broader principle: there was a need to reform the law so that a company participating in an economy 'from a distance' could be taxed where it operates.

⁸⁰⁶ 'Tim Cook, the interview', *The Washington Post*, 12 August 2016.

⁸⁰⁷ interview 14.

⁸⁰⁸ Thucydides, *The History of the Peloponnesian War*, chapter 89.

Three competing proposals were introduced, each reflecting divergent national interests and models of profit reallocation.

On one hand, the aim of several European countries, including France and the UK, was to change reallocation rules for taxing Big Tech in market jurisdictions. Indeed, as demonstrated in previous chapters, both the French and British governments aimed for companies like Google and Facebook to pay taxes where their users were located – in France and the UK – rather than solely in the U.S.

The previous empirical chapters have shown that it had become an important policy priority to update profit reallocation rules in response to political pressure to tax multinationals – particularly U.S. Big Tech – in the jurisdictions where they operated. To respond to political pressure, these countries implemented digital services taxes, but they also aimed to seek a durable resolution to this salient issue.

There is clear evidence that the French and British governments were primarily focused on updating taxing rules for tech multinationals. For instance, referring to Pillar One, British Prime Minister Rishi Sunak echoed this focus on Big Tech when he told the press that the new proposal ‘is certainly something we can work with as long as it meets our objectives of *getting at the right companies*’, reinforcing the UK’s primary objective of taxing large digital firms specifically⁸⁰⁹.

Importantly, the focus of these countries on tech multinationals initially clashed with the goal of broader international negotiations. The then-OECD tax director Pascal Saint-Amans recalled⁸¹⁰:

‘It is like if France had two disconnected parts of its brain, it is yes for taxing Google, but no for the (French) luxury giants to be taxed in China, where they pull a lot of profits’.

Indeed, the aim at the OECD was to update international tax rules to the digital economy without focusing on the U.S. tech multinationals. A senior tax academic involved in the negotiations recalled⁸¹¹:

‘There was a debate in the early years at the OECD whether we should make the Pillar One about Big Tech only. The question was between Consumer-Facing Companies (CFC) or Automated Digital Services (ADS). The conclusion was that it will apply to both industries but only big companies, because the more you target to a particular group the more it will look discriminatory and like a tariff’.

⁸⁰⁹ ‘UK’s Sunak says US plan to break global tax deadlock could work’, *Reuters*, 3 June 2021.

⁸¹⁰ ‘Mon fisc, ma bataille’, *Society*, 13 June 2019..

⁸¹¹ interview 48.

This is an important distinction. ADS refer to companies that provide digital services with minimal human involvement in the market jurisdiction – typically the U.S. ‘Big Tech – such as the use of Google’s web-browsing platform, Amazon’s online marketplace, or Facebook’s social media platform. Focusing on these companies met the target of capturing digital business models that generate significant revenues in a country without a physical presence – it would redefine the notion of permanent establishment, that allows for a country to tax a company, by taking into account their digital presence.

With this goal in mind, the UK proposed reallocating taxing rights based on users’ locations⁸¹², arguing that users contributed substantially to the value created by digital companies, especially platforms and web browsers. This approach aimed to reinterpret the arm’s length principle rather than replace it.

An OECD tax official recalled⁸¹³:

‘The UK was trying to say we are only taxing arm’s length profit in the UK but you need to understand the arm’s length correctly, and that includes the value of Facebook users in the UK; that is not currently in the kind of OECD convention and commentaries today but that was the UK argument’.

France also supported this approach, advocating for reallocating taxing rights for digital companies specifically. This position aligned with the 2013 report by two French civil servants, who supported a reform of the permanent establishment taking into account the ‘free labour’ by users who enhance the value of a digital company such as a social media platform or marketplace⁸¹⁴.

On the other hand, a second proposal looked at all large CFC included luxury goods or retail multinationals – such as the French LVMH group or the British Unilever corporation. It matched with demands from the U.S. to expand the negotiations to all large multinationals.

The U.S. proposed reallocating the profits of multinationals based on their intangible assets⁸¹⁵. At the OECD Inclusive Framework meeting in Rome in October 2017, Chip Harter, the newly appointed U.S. Deputy Assistant Secretary for International Tax Affairs under President Trump, signalled a significant shift in U.S. policy.

⁸¹² HM Treasury, *Corporate Tax and the Digital Economy: Position Paper*, November 2017; HM Treasury, *Corporate Tax and the Digital Economy: Position Paper Update*, March 2018.

⁸¹³ interview 40.

⁸¹⁴ Collin, P., Conseiller d’Etat, Colin, N., Inspecteur des finances (January 2013), *Mission d’expertise sur la fiscalité de l’économie numérique*. See the first Empirical Chapter on France, p67-69.

⁸¹⁵ Collier, R., and Vella, J. (August 2024), ‘Formative Politics and Policies of Pillar Two’, *University of Oxford*, p5.

Responding to French Finance Minister Bruno le Maire's speech about taxing Facebook, Harter stated⁸¹⁶:

'I totally understand your position, and of course you should tax Facebook, and also Nike and McDonalds and Starbucks, and I must tax Louis Vuitton, it is the whole system that must change'.

The U.S. argued that the ability of companies to reach consumers in jurisdictions where they lack a permanent establishment applied not only to Big Tech, but also to luxury firms like LVMH and consumer goods giants such as Unilever. Cognisant of the potential loss of taxing rights over tech multinationals operating in the U.S., Washington accepted the idea of reallocation – but insisted it be applied broadly, not just to digital firms.

The pivot surprised other OECD members. Pascal Saint-Amans recalled in his memoirs⁸¹⁷:

'It was such a surprise that the Chinese delegate was checking whether its translator was working correctly. (The US representative) Chip indicates that the US is open to a new approach (for the international tax system)'.

Critically, this change coincided with the U.S. corporate tax reform passed in late 2017, which reshaped U.S. economic interests and gave momentum to a new international agreement. Further details on this reform will be given in the following section on Pillar Two, which significantly affected the U.S. position in international tax negotiations. As academics Collier and Vella noted⁸¹⁸:

'The 2017 US tax reform was a critical juncture in igniting the stalled discussions on the digitalisation of the economy'.

Meanwhile, a third group, led by India and composed mainly of emerging economies, proposed taxing companies based on a 'significant presence in the country', measured by turnover from remotely provided goods and services in a given country.

To reconcile these views, the OECD published its 'Unified Approach' in January 2020 on profit reallocation rules⁸¹⁹. As one official explained⁸²⁰,

⁸¹⁶ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l'histoire*, Editions du Seuil, p224.

⁸¹⁷ *Idem*.

⁸¹⁸ Collier, R., and Vella, J. (August 2024), 'Formative Politics and Policies of Pillar Two', *University of Oxford*, p5.

⁸¹⁹ OECD (29-30 January 2020), Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy, OECD/G20 BEPS Project, Paris: OECD Publishing.

⁸²⁰ interview 40.

‘No one could agree so we combined different aspects of the proposals together – the new blueprint allowed countries such as France and the UK to tax automated digital services without a taxable presence, while the US would get to tax foreign companies selling goods in the US territory’.

This series of evidence is key to underline the constraining role of national economic interests in governments’ efforts at delivering tax reforms in line with the mounting political pressure to act. It supports the interest-based expectation that negotiations were shaped by countries bargaining to safeguard their respective interests.

Finally, in April 2021, following a new U.S. proposal, countries agreed to narrow the scope of Pillar One to include only the largest and most profitable multinationals, irrespective of their industry. It is another evidence of the U.S. ultimately setting the pace of the negotiations. This threshold was set at annual revenues over €20 billion with a profit margin above 10%. Only residual profit – defined as profit exceeding a baseline return – would be subject to reallocation. At the time, it was expected that about 100 multinationals would fall under this scope. The goal was to target ‘the winners of globalisation’⁸²¹.

Pillar One aimed to address the core political concern: that multinationals were using complex structures to ‘shift profit’ to low-tax jurisdictions. The focus on residual (non-routine) profits was crucial, as these are often tied to mobile intangible assets and are more susceptible to cross-border shifting than routine profits, which are taxed where value is created.

For instance, media reports of tax loopholes frequently highlighted the role of royalty payments for intellectual property, funnelled to subsidiaries in low-tax jurisdictions. By reallocating non-routine profits to market jurisdictions, Pillar One sought to mitigate such aggressive tax planning.

This shows that Pillar One aimed to respond to the political pressure regarding existing international tax laws. It supports the claim that political saliency was the engine for policy change.

Additionally, in line with the interest-based theory, countries also looked at preserving the interests of their domestic industries. Negotiations addressed exemptions for strategically important industries, with several of them excluded from the Pillar One agreement. Financial services, for example, were

⁸²¹ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p275.

excluded. Given that both the City of London and the British Crown dependencies rely heavily on financial services, this exclusion was seen as vital for British stakeholders.

Calum Dewar, a PwC international tax partner, recalled⁸²²:

‘The UK lobbied quite hard for financial services to be carved out. The UK economy is largely a financial based economy, you can draw from that the conclusion what you want...’.

Similarly, extractive industries such as mining and oil and gas were excluded from Pillar One. Companies engaged in these activities would continue to be taxed where extraction occurs, not in the countries where the final products are sold⁸²³.

Thus, the evidence above highlights three key insights. First, Pillar One responded to mounting political pressure in some countries, including France and the UK, for taxing multinationals in their operating country – the market jurisdiction. Second, countries secured protection for their national economic interests by excluding strategic industries and limiting the impact of Pillar One to the largest and most profitable companies. Third, the U.S. acted as the major pivotal actor in the pace and direction of the negotiations as the host to the Big Tech under the public spotlight, and to a significant number of multinationals.

3.2. The Role of Digital Services Taxes in Shaping Business Preferences

3.2.a. The Role of Unilateral Taxes in International Negotiations

Additionally, a key factor in understanding the dynamics of international tax negotiation is the role of unilateral Digital Services Taxes. These measures played a pivotal role in advancing international tax negotiations by pressuring industry actors to support the Pillar One framework.

As previously indicated throughout the two empirical chapters on France and the UK, Pillar One met strong resistance from the business community. However, unilateral digital services taxes also increased the pressure on multinationals, both tech and non-tech corporations, to support a global agreement – not only these unilateral taxes damaged tech companies, but the U.S. government’s threat of levying

⁸²² ‘A hundred year storm: BEPS 2.0 Update, Cross-Border Tax Talks’, *PwC Podcast*, 20 August 2021, minutes 19:56 - 20:06.

⁸²³ OECD (8 October 2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy*, OECD/G20 BEPS project, Paris: OECD Publishing.

trade sanctions against countries implementing these digital services taxes also created economic risks for businesses operating across borders.

According to Christopher Condon, a *Bloomberg* senior journalist covering the U.S Treasury Department and economic policy in Washington, this scenario represented⁸²⁴:

‘A chaos strategy, you make life terrible for U.S. tech companies, so that Congress, in a year or two, is asked by these companies to accept the convention signed by their Treasury’.

Benjamin Angel, Director for Tax Policy at the European Commission’s Taxation and Customs Union department (DG TAXUD), defended the passing of the EU digital services tax in similar terms⁸²⁵:

‘Of course it was suboptimal, a tax on turnover is not a good tax, but it was useful to have a counterfactual until an international agreement is reached. It would give an incentive for the tech companies to want an agreement at the OECD, and in turn the US administration, so it was a way to move the international level forward’.

Manal Corwin, tax principal at KPMG in Washington D.C., also warned of the economic risks posed by unilateral digital services taxes⁸²⁶:

‘If digital services taxes are the tip of the iceberg, then governments are on the Titanic’.

Policy officials continued to stress the role of an international agreement to remove the risks associated with unilateral taxation. Achim Pross, Deputy Director in the OECD Tax Unit, noted⁸²⁷:

‘If you see the scope of digital services taxes it starts with social media, then you add online sales, the cloud, etc, and you could just see that it continues, so if people think more long term then Pillar One will add more tax certainty. Because otherwise we will have for instance a pharma tax etc, and so we will end up in a world where market jurisdictions impose gross taxation, and typically on the sectors that they themselves don’t have’.

In this way, DSTs served as a negotiating tool to incentivise countries – in particular the most pivotal actor in the negotiations, the U.S. – to strike a deal at the international level. Countries agreed to repeal

⁸²⁴ interview 33.

⁸²⁵ interview 18.

⁸²⁶ ‘IFA 2022 : leaders warn DSTs are tip of iceberg in world fractures’, *International Tax Review*, 7 September 2022.

⁸²⁷ interview 30.

DSTs once a multilateral solution was implemented, thereby removing the negative effects of unilateral taxes on digital companies and the risk of more turnover-based taxes on other industries.

Defending the passing of digital services taxes, a German delegate in Brussels emphasised⁸²⁸:

‘It is in the interests of the U.S. to make a deal at the OECD, where it has a voice at the table, than let the EU or national governments do it without them’.

Indeed, during the conclusion of the October 2021 international agreement, the EU abandoned its proposal for a digital levy tied to Covid-19 recovery funds. Yet, countries such as France and the UK insisted that DSTs would only be removed if the U.S. implemented Pillar One. It shows the strategic role of unilateral taxes in pushing the U.S. to put the international agreement into application.

As a British Treasury official noted⁸²⁹:

‘If the US does not sign (the multilateral convention implementing Pillar 1), we keep our digital services tax, as simple as this’.

A senior journalist based in Brussels, who followed closely the negotiations, recalled⁸³⁰:

‘I spoke to senior public officials involved in the negotiations, and they said if the Republicans block Pillar One, Europeans, and you can be sure Bruno Le Maire will be the first one to go, they will say we will have DSTs, and the U.S. will get upset, and they will get back to the table, because otherwise we keep fighting’.

Thus, the evidence shows that, in the eyes of British and French policymakers, digital services taxes served a dual role of responding to mounting domestic pressure with a prompt reform while supporting the conclusion of a longer-term international agreement. It provided economic incentives for a global compromise.

For instance, as a reminder, French finance minister Bruno Le Maire argued that, following the introduction of the French unilateral tax⁸³¹,

‘Negotiations at the OECD have speeded up with a new momentum’.

⁸²⁸ interview 34.

⁸²⁹ interview 7.

⁸³⁰ interview 17.

⁸³¹ the reader is invited to refer back to the Empirical Chapter on France, p125.

He added that the tax was ‘a counterfactual’ for advancing international negotiations. Addressing the French Parliament, he said⁸³²:

‘If you adopt this digital services tax, we will be in a strong position at the OECD. We will have one clear message: make progress at the international level if you do not want a unilateral tax, find an international solution and we will remove our domestic solution’.

As one OECD official concluded⁸³³:

‘You are likely to have something like Europe says well we have agreed something that the U.S. was meant to implement, and if US doesn’t implement it, then we take the following actions and keep our unilateral taxes; and now that put the U.S. in a more difficult position; the answers you get are quite nuanced and depends a lot on who is going to do what if A happens, and who is going to do what if B happens’.

Importantly, keeping unilateral taxes until the full implementation of Pillar One by the U.S. highlights the motive of countries such as France and the UK for signing the international agreement: they wanted to get to the U.S. Big Tech.

Emmanuel Moulin, former Chief of Staff to the French Finance Minister emphasised the primary objective of Pillar One to include tech multinationals for France⁸³⁴:

‘There is no gain in implementing a multilateral convention (for Pillar One) without the U.S. when the Big Tech are those who benefited the most from the under taxation of digital services’.

Indeed, removing DSTs without U.S. participation had both political and financial implications for countries such as France or the UK. Financially, it would mean giving up taxing rights over their domestic firms – in transferring taxing rights for LVMH, for instance, to consumer countries such as U.S or China – while receiving no right for taxing U.S. multinationals in return. Politically, it was an unacceptable outcome as it meant losing the battle of telling their domestic electorate that Big Tech will be taxed in their country.

⁸³² *Idem.*

⁸³³ interview 40.

⁸³⁴ interview 4.

The findings above support the claim that political salience mattered for sustaining governments' efforts in reforming international tax rules. They also bring further evidence in support of the liberal intergovernmental claim according to which countries with the highest bargaining power constrain policy options – as the section shows, the French and British governments had to agree on expanding the negotiations to multinationals beyond the tech sector in order for the U.S. to stay on board. This set of evidence highlights the pivotal role of the U.S. in the pace and direction of the international tax negotiations.

3.2.b. The Effect of U.S. Business Schisms on Pillar One

As mentioned earlier, the U.S. hosts the majority of multinationals affected by Pillar One – the *Forbes* lists of the Global 2000 companies ranks the U.S. as the top host of companies every year by a high margin since 2010. Because of this, it is important to look at the preferences of U.S. businesses to assess the influence of industry leaders in the negotiations.

This section delves further into the extent to which a business-centered perspective holds true in the context of this research. The interest-based hypothesis suggests that business preferences significantly shape government positions in international tax negotiations. However, scholars of business power have shown that divisions within the business community can weaken its collective influence. Industry leaders are expected to form their preferences together and converge towards the most dominant group for maximised influence. Many nuances exist which means that sometimes, if not often, there are clear divergences within industry representatives⁸³⁵.

U.S. businesses were split on the favoured outcome of the Pillar One negotiations. On one hand, U.S. tech firms strongly opposed DSTs and supported Pillar One as a lesser evil. As the empirical chapters on France and the UK have shown, tech multinationals were faced with growing uncertainty and the risk of multiple taxation on the same income if countries implemented unilateral digital services taxes without coordinated action. The Tax Foundation, a U.S. think-tank and business lobby, warned against lower economic growth and lower jobs in case of the imposition of trade tariffs⁸³⁶.

Given the risks of having unilateral taxes levied against them, tech giants began to see Pillar One as a preferable path⁸³⁷. Indeed, the empirical chapters of this research have already offered evidence of multinationals' preference for a coordinated solution at the international level.

⁸³⁵ Moravcsik, A. (1998), *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*, Routledge, p36.

⁸³⁶ 'Tax Foundation Comments on the Initiation of Section 301 Investigations of Digital Services Taxes', *Tax Foundation*, 9 July 2020.

⁸³⁷ 'Talks over global digital tax are back on track, says OECD', *Financial Times*, 31 January 2020; 'International agreement on digital taxes is needed', *Financial Times*, 23 January 2020.

For instance, as a reminder, in 2019 the UK Confederation of British Industry noted the importance of a global solution in order to⁸³⁸:

‘Avoid a complex patchwork of tax policies that increase compliance burdens, uncertainty over tax positions and ultimately damage global trade, cross-border investment and growth ... There is widespread consensus that the OECD is the right organisation to lead reforms in addressing the tax challenges of the digitalisation of the economy’

Google CEO Sundar Pichai also condemned unilateral taxes as ‘doomed to failure’, because it’s a multilateral issue which countries have to resolve (together)⁸³⁹.

Damon Silvers, policy advisor for the AFL-CIO trade-union and the Biden administration, stressed the role of Big Tech in policymakers’ decision-making process. His interview supports the interest-based theory according to which business preferences mattered for policy change⁸⁴⁰:

‘The deal has three strikes against it which have doomed it each time the Republicans have gotten control of Congress of the White House. First, as compared to the business community generally, the Republicans are not particularly fond of the tech giants; second, the convention was signed by the Biden administration; and third, it came from a Europe-based international organisation, the OECD. Yet the deal has one big strike for it, that the tech companies want it, and if they want it badly enough to put enough money and effort on the table, the Republicans will support what the tech companies want, so you need to get to a point where it becomes such an issue for tech companies that they take precedence over non-tech multinationals in the Republican party’.

Similarly, Christopher Condon, a *Bloomberg* senior journalist covering the U.S. economic policy, also stressed the influence of multinationals in policy-making⁸⁴¹:

‘I can imagine India, Australia, etc., coming with their digital services taxes; then you will have more tax disputes, Congress will threaten new tariffs, and the EU will threaten to retaliate, and the U.S. Treasury thinks that it will get so bad the large multinationals will go to Congress and say please just go back and enact the global tax agreement; and when a lot of large multinationals beg the U.S. Congress to do something, the Congress usually does it’.

⁸³⁸ the reader is invited to refer back to the Empirical Chapter on the United Kingdom, p185.

⁸³⁹ *Idem*.

⁸⁴⁰ interview 31.

⁸⁴¹ interview 33.

On the other hand, non-tech U.S. multinationals that would fall under Pillar One but not DSTs had little incentive to support a global deal that increased their tax burden. The findings show that non-tech multinationals, initially untouched by DSTs, were strongly opposed to Pillar One's profit reallocation rules due to the potential increase in administrative burdens and higher taxes paid in high-tax jurisdictions.

The stance of U.S. businesses was shared by several European multinationals – especially in Germany – which continued to oppose Pillar One throughout the negotiations. A US-based CEO of a railway multinational recalled in interview⁸⁴²:

‘I’m hard-pressed to imagine the board of Mercedes-Benz saying yes okay we won’t fight Pillar One; at this point LVMH probably cares more about China than the US, so maybe they don’t yell too much, but Mercedes Benz is going to yell’.

This evidence shows that there was a schism among U.S. business on the direction to take. It offers a convincing explanation for the U.S. government's ambivalence toward Pillar One. Indeed, the U.S. did not fully support, nor fully opposed, negotiations over profit reallocation rules.

As a result to the split in its business community, on December 3rd, 2019, in a letter sent to the OECD Secretary-General José Angel Gurría, the U.S. proposed a ‘safe harbour’ clause allowing firms to opt out of the reallocation rules if they met certain domestic tax thresholds.

Under this Safe Harbour clause, U.S. multinationals could decide to stay outside of the OECD's Unified Approach if they paid a certain threshold in their home jurisdiction. It would allow companies to apply a fixed value, usually based on operating margin, rather than using the OECD's stipulated percentages for profit reallocation⁸⁴³.

European governments rejected this proposal outright. ‘Incomprehension and consternation grip the French delegates’, wrote Pascal Saint-Amans⁸⁴⁴. A German delegate in Brussels also said⁸⁴⁵:

‘Mnuchin proposal was a proposal to kill pillar 1’.

⁸⁴² interview 16.

⁸⁴³ ‘US Outlines Digital Services Tax Concerns in Letter to OECD’, *Tax Notes*, 3 December 2019; ‘The US “Safe Harbour” Proposal: Rocking the OECD's Pillar 1 Boat?’, *Tax Notes*, 10 December 2019.

⁸⁴⁴ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l'histoire*, Editions du Seuil, p252.

⁸⁴⁵ interview 34.

For Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD)⁸⁴⁶:

'They were making nonsensical proposals'.

During the G20 summit in February 2020, the French Finance Minister Bruno Le Maire warned:

'Clearly, there is a need to avoid any kind of optional solution'.

Sign of tension between the U.S. position and its European counterparts, the U.S. Treasury Secretary Mnuchin retorted to Le Maire's comment:

'If everybody adopts the U.S. proposal, I have 100 percent confidence that we'll get it done'.

The comment 'elicited laughter' from other G20 officials, wrote the *New York Times*⁸⁴⁷.

Following this episode, U.S. business groups continued to voice their opposition to Pillar One. In March 2020, several business groups urged Treasury Secretary Mnuchin to delay international tax reforms. The U.S. Council for International Business wrote to Treasury Secretary Mnuchin and asked to delay the OECD's negotiations on March 23rd 2020⁸⁴⁸. A couple of days later, the National Foreign Trade Council wrote a similar letter to Treasury Secretary Mnuchin⁸⁴⁹.

Then, in April 2020, another letter was sent by the Business and Industry Advisory Committee (BIAC), the officially recognised business stakeholder organisation at the OECD, requesting to postpone the work on the taxation of the digital economy⁸⁵⁰.

In interview, Damon Silvers, policy advisor for the AFL-CIO trade-union and the Biden administration, described the schism among the U.S. business community⁸⁵¹:

'All depends on whether tech companies are powerful enough to convince non-tech multinationals to accept Pillar One. There is an internal conflict within the business community. For the tech companies they have an interest in making Pillar One work, they want digital services taxes to go away ... Is the power of the tech company great enough to overcome

⁸⁴⁶ interview 18.

⁸⁴⁷ 'Digital Tax Fight Emerges as Global Economic Threat', *New York Times*, 22 February 2020.

⁸⁴⁸ 'Letter to US Treasury Secretary Steven Mnuchin', *United States Council for International Business*, 23 March 2020.

⁸⁴⁹ 'Letter to US Treasury Secretary Steven Mnuchin', *National Foreign Trade Council*, 27 March 2020.

⁸⁵⁰ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l'histoire*, Editions du Seuil, p262.

⁸⁵¹ interview 56.

whatever opposition from the rest of the business community in the context of governments wanting the revenue? This is why I think the OECD and US Treasury were trying to make Pillar One not very burdensome so non-tech companies don't unite against it'.

Ultimately, the U.S. position was shaped by this internal tension: balancing the desire to eliminate DSTs against the risk of losing taxing rights and increasing domestic firms' tax liabilities.

Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD) observed⁸⁵²:

'The US is in this awkward position of having very important business actors pulling in two opposite directions'.

An OECD senior tax official added⁸⁵³:

'It is about the U.S. being at unease with itself, that it cannot really articulate a position (because) you have different businesses talking to the US administrations, tech companies lobby for a deal but non-tech companies say 'No I do not care' (about the risk of digital services taxes)'.

As mentioned earlier in this chapter, the U.S. government requested a pause in negotiations in the summer of 2020, reflecting the preferences of non-tech multinationals. By then, the truce agreed between France and the U.S. to suspend trade tariffs and the implementation of the French digital services tax had also ended. As detailed previously, the U.S. Treasury sent a letter to his European counterparts asking for a pause in the Pillar One negotiations, which was rejected by the recipients⁸⁵⁴.

Importantly, this was just a few months ahead of the presidential elections in November 2020, when support from large domestic industries was essential. The set of evidence below supports the claim that interests matter: at times of electoral campaign, when business support is so important, the evidence suggests that the U.S. administration prioritised the demands of its most influential industries.

Julien Jarrige, at the time an advisor to the OECD Tax Unit, noted⁸⁵⁵:

⁸⁵² interview 18.

⁸⁵³ interview 46.

⁸⁵⁴ the reader is invited to refer back to the Empirical Chapter on France, pp126-127, and to earlier section in this third Empirical Chapter on International Tax Negotiations, pp224-225.

⁸⁵⁵ interview 45.

‘There are periods when American business will have a stronger voice, particularly in Congress and before elections’.

A British Treasury official similarly recalled⁸⁵⁶:

‘It was clear the US won’t be doing anything until the elections’.

Pascal Saint-Amans, then-OECD tax director, publicly stated⁸⁵⁷:

‘The United States, because of the incoming presidential elections, are not ready to reach an agreement’.

Accordingly, international tax negotiations on Pillar One saw limited progress in the summer 2020. The OECD’s October 2020 report focused primarily on the more broadly supported Pillar Two⁸⁵⁸, while observers warned that discussions on Pillar One risked reaching a dead end.

‘Will BEPS be the new Doha Round?’

tweeted British editorialist Ed Conway, referencing the failure to conclude a global trade agreement in 2001.

‘Not yet ... there may be a small window of opportunity in January if a new US administration arrives.’

replied *Financial Times* economic correspondent Chris Giles⁸⁵⁹.

This constitutes a key body of evidence supporting the relevance of liberal intergovernmentalism in explaining the U.S. position and its influence on international tax negotiations. While France and the UK were driven by domestic political imperatives to introduce new tax reforms, the international negotiations at the OECD level were shaped by the U.S.’ own domestic agenda. In a multilateral setting, states’ bargaining power played a significant role in shaping the outcomes of the negotiations, in line with a liberal intergovernmental view.

⁸⁵⁶ interview 50.

⁸⁵⁷ ‘Pascal Saint-Amans : L’OCDE est prête à proposer un paquet de mesures sur la fiscalité’, *L’Agefi*, 22 September 2020.

⁸⁵⁸ OECD (14 October 2020), Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

⁸⁵⁹ Saint-Amans, P. (2023), Paradis fiscaux, Comment on a changé le cours de l’histoire, *Editions du Seuil*, p268.

3.3. The Final Stretch Toward the Conclusion of Pillar One Amount A

Finally, the findings suggest that negotiations over Amount A unfolded as a bargaining game among countries with divergent interests, resulting in a revenue-neutral formula regarding the reallocation of taxing rights. The evidence confirms that the agreement aimed to address the mounting political pressure in several countries – including in France and the UK – while protecting each participant’s national economic interests. This section reviews the final months of negotiations before the conclusion of the international tax agreement in October 2021.

The final rounds of negotiations before the signature of the political agreement in October 2021 focused on designing rules that would not dramatically shift revenue distribution across jurisdictions. This section brings key evidence in support of the interest-based hypothesis in showing that countries sought to secure an international tax agreement without undermining their own economic positions – indeed, the impact of Pillar One on countries’ revenues was deliberately minimised.

The parameters for calculating residual profit allocation represented a compromise shaped by national priorities. Pillar One introduced a right for a portion of non-routine profits to be reallocated to market jurisdictions, in which a business has significant consumer-facing activities or user engagement, but no physical presence or permanent establishment. In effect, Pillar One tackled the key weakness of existing tax rules by allowing for the reallocation of taxing rights to jurisdictions where value is deemed to be created.

At the G20 meeting in Venice on July 8th, 2021, the initial agreement proposed a reallocation of ‘at least’ 20% of residual profits. Most G7 nations and other developed industrial economies – especially those with relatively small consumer markets, like Norway or Finland – supported a 20% threshold. Conversely, developing countries with large consumer markets, such as India and Brazil, advocated for a higher share of 30% or more⁸⁶⁰. The political agreement reached in October 2021 ultimately set the profit reallocation rule in the middle, at 25% of a company’s residual profits to market jurisdictions.

An OECD senior tax official recalled the negotiations as a balancing act between competing interests⁸⁶¹:

‘You need to carve out routine profits and only look at residual, and how much residual belongs to the market and it became 25% and everybody looked at this and it’s a global compromise’.

⁸⁶⁰ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p282.

⁸⁶¹ interview 47.

A second set of evidence showing how countries protected their economic interests is found in the clear revenue-neutral formula embedded in Pillar One. Given the distributive implications of new profit reallocation rules, policymakers designed the final details of the reallocation rules in a way that avoided significant impacts on the projected revenues of key OECD members.

Indeed, while no official estimates have been released on the overall impact of Pillar One on national public finances⁸⁶², available assessments of its effect on U.S. revenues support the idea that the outcome will be largely revenue-neutral for the U.S. Treasury. What it may lose in taxing rights over Facebook, it may gain in taxing LVMH or Volkswagen.

As the U.S. Treasury confirmed to the Senate⁸⁶³:

‘Any US revenue impact would be relatively small to non-existent’.

Nonetheless, certain business leaders raised concerns about the reality of a revenue neutral formula. In August 2021, during the drafting phase of the technical details for profit reallocation, PwC international tax partner Calum Dewar argued⁸⁶⁴:

‘The U.S. remains the biggest consumer market in the world, so if you are reallocating profits based on the size of the market then you might expect the U.S. to pick up some amounts ... but if 66% of the companies affected are U.S. multinationals, it seems to me unlikely to be a zero-sum game for the U.S. Obviously (U.S. Treasury Secretary) Janet Yellen must have sources of data ... but it does seem to be slightly odd that if such a large percentage of the companies are likely to be affected are U.S., that you would expect Pillar One to be a net zero in allocation away from the U.S.’

In essence, a revenue-neutral outcome helped pre-empt opposition from the U.S. or other major countries. Interview data supports this interpretation. As a senior tax accountant who followed and participated closely in the negotiations explained⁸⁶⁵:

‘(The deal) needs to be something that makes sense for the US, either a revenue increase for the treasury, or maybe something on tax certainty for business, making life easier for business,

⁸⁶² ‘To our knowledge, no country has published interim data of its estimates of Pillar One reallocation, or provided such estimates to its parliament before Pillar One negotiations are complete, presumably because doing so could undermine that country’s national interests and its negotiating position’, in ‘US Treasury responds to GOP Senators’ pillar one concerns’, *Tax Notes*, 1 March 2022.

⁸⁶³ ‘US Treasury responds to GOP Senators’ pillar one concerns’, *Tax Notes*, 1 March 2022.

⁸⁶⁴ ‘A hundred year storm: BEPS 2.0 Update, Cross-Border Tax Talks’, *PwC Podcast*, 20 August 2021, minutes 23:20 – 24:20.

⁸⁶⁵ interview 5.

there is nothing around that on pillar 1, so it's very difficult to see why Congress should support it, even from the part of the Democrat really'.

Following the G20 Finance ministers in Venice in July 2021, Chris Condon, *Bloomberg* senior journalist covering U.S. Treasury Department and economic policy, recalled⁸⁶⁶:

'I remember going to the G20 finance ministers, and the US negotiator couldn't believe how far they had gotten, but since then the negotiations have been very tough, and particularly over Pillar One, and they were worried more so about Pillar One. They absolutely wanted to prevent Pillar One from being a meaningful fiscal negative for the US, they decided they couldn't sell this to Congress if it was going to cost the US something – I know they convinced the French to have a formula revenue neutral on Pillar One, so they could get it through Congress, and that's apparently what is going to be, that was non-negotiable for them'.

3.4. Wrapping Up

Thus, these findings demonstrates that the negotiations were driven by political pressures while being constrained by national economic interests.

On one hand, the evidence supports an interest-based perspective, whereby countries sought to preserve their own economic advantages in international negotiations over Pillar One. Governments sought to retain taxing rights over companies operating or headquartered within their jurisdiction.

In addition, in line with a liberal intergovernmental realist perspective, the country with the strongest bargaining position – in this case, the U.S. – played a central role in shaping the final agreement. As the home to Big Tech and a significant portion of multinationals, the U.S. was a pivotal actor in the negotiations.

Crucially, this section has also provided evidence that political salience was the engine through which governments entered in these negotiations. The aim of Pillar One found its roots in government motives to respond to domestic political pressure of taxing multinationals, and in particular Big Tech.

⁸⁶⁶ interview 38.

4. A Global Minimum Tax (Pillar Two)

4.1. The Goal of The Pillar Two Negotiations

The second pillar of the negotiations centered on the creation of a global minimum tax. This section starts with gathering evidence on how Pillar Two aimed to set a floor on tax competition – rather than homogenise corporation tax rules worldwide. It is an important distinction as it shows that countries aimed to respond to political pressures for aggressive tax practices while retaining benefits for economic sectors that are key to their growth strategy.

According to Oxford-based academics Richard Collier and John Vella, there were diverging perspectives at the outset regarding the objectives of Pillar Two⁸⁶⁷. Some countries viewed it primarily as a mechanism to curb profit-shifting by multinational corporations, while others advocated for a broader agenda – to reduce tax competition more generally and move toward a more harmonised international tax system.

A consensus was reached around a narrower but politically feasible goal: Establishing a global minimum tax to discourage profit shifting by setting a floor on harmful tax competition. This floor would limit the ‘race to the bottom’ between high-tax and low-tax jurisdictions, rather than eliminate all forms of tax competition within a fully harmonised global tax regime.

This interpretation was consistent with the OECD’s longstanding position. In its final report from the first BEPS project in 2015, the OECD made clear that⁸⁶⁸:

‘The work on harmful practices is not intended to promote the harmonisation of income taxes or tax structures generally within or outside the OECD, nor is it about dictating to any country what should be the appropriate level of tax rates’.

The same logic was reiterated in the its 2018 interim report⁸⁶⁹:

‘No or low taxation is not per se a cause of concern, but it becomes so when it is associated with practices that artificially segregate taxable income from the activities that generate it’.

⁸⁶⁷ Collier, R., and Vella, J. (August 2024), ‘Formative Politics and Policies of Pillar Two’, *University of Oxford*, pp9-11.

⁸⁶⁸ OECD (October 2015), Countering harmful tax practices more effectively, Taking into account transparency and substance, Action 5: Final Report, *Paris: OECD Publishing*, p11.

⁸⁶⁹ Collier, R., and Vella, J. (August 2024), ‘Formative Politics and Policies of Pillar Two’, *University of Oxford*, p11.

Following the publication of the OECD's interim report, France and Germany formally proposed the adoption of a global minimum tax designed to curb harmful tax competition between countries – without eliminating competitive tax differences entirely⁸⁷⁰. This proposal was framed as⁸⁷¹:

‘A direct response to the tax issues of digitalisation (because) the problem that needed to be addressed was the excessive tax competition between states’.

These findings are key to show that Pillar Two protected national economic interests. Countries did not want to give up their tax strategy altogether and accepted that a certain degree of competition was legitimate.

The following sections explore how national economic interests shaped countries' positions on Pillar Two. Several states actively negotiated carve-outs from the Pillar Two framework for industries considered strategically important or economically vital. France, Germany, and the UK, for instance, supported the introduction of a global minimum tax but simultaneously lobbied for exemptions tied to real economic activity and for preserving preferential tax treatment for their key national sectors.

Importantly, the U.S. also backed the reform. Its support followed a significant shift in its own fiscal landscape after the 2017 domestic tax overhaul. This legislative change realigned U.S. interests with the objectives of a global minimum tax. By contrast, other European jurisdictions such as Hungary, Luxembourg, and Ireland resisted the measure, viewing it as a threat to their low-tax economic models. They leveraged their policy autonomy to defend established growth strategies in international tax negotiations. A dedicated section later in this chapter examines the evolution of the U.S. and Ireland in greater detail, and why both countries mattered for the progress of international tax negotiations.

4.2. Pillar Two Reflects the Politics of Economic Interests

This section reviews the key steps of the Pillar Two policy negotiations. It looks at the goals of negotiating countries during policy developments and how governments bargained over every aspects of Pillar Two – including the scope, rate, calculation methods, and exemptions. It highlights the role of national economic interests in the negotiations.

⁸⁷⁰ OECD (December 2018), *OECD Secretary-General Report to G20 Leaders*, p3.

⁸⁷¹ Collier, R. (May 2023), The Evolution of Thinking on Tax and the Digitalisation of Business 1996-2018, *World Tax Journal*, p196.

4.2.a. The Rate of the Global Minimum Tax

Following the publication of the Two-Pillar note in January 2019, governments began negotiating the global minimum rate. The first stage of negotiations focused on agreeing a specific rate. Each country aimed to align Pillar Two with their domestic economic interests, supporting the interest-based claim that governments negotiated the Pillar Two agreement based on what was needed for their domestic economy.

Lower-tax countries in Europe, including Ireland, opposed the introduction of such a measure which would dramatically change the country's investment model. As the final section in this chapter explains in more depth, Ireland relied on a low-tax system for attracting foreign direct investment.

Irish Prime Minister Leo Varadkar declared in Tallinn in September 2017⁸⁷²:

‘The solution for the emergence of European champions is not more taxes and regulations, it's the exact opposite’

In November 2019, French Finance Minister Bruno Le Maire publicly supported a rate of 12.5%, aligning with Ireland's domestic corporate tax rate⁸⁷³. Negotiations continued through 2020 with only slow progress.

In line with the realist theory, governments had to reach a compromise between their distinct economic interests during international negotiations. Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD), presented the negotiations on the exact tax rate as a compromise⁸⁷⁴:

‘The discussions started at 12.5%, then efforts in making it higher. From where I stand, at the European Commission, I see the limits that we have for reaching an agreement. With an effective tax rate at 21%, so after the tax cuts, almost all countries would be impacted. Our Eastern European countries but also France, for instance, which has an effective tax rate much lower than 21% in some areas benefiting from R&D credits. Getting to 15% was part of this compromise between countries with very different effective tax rates today’.

⁸⁷² ‘Taxation des Gafa: l'Irlande et le Luxembourg font barrage’, *Les Echos*, 29 September 2017.

⁸⁷³ ‘La France pour un impôt mondial minimum de 12.5% sur les entreprises’, *Les Echos*, 26 November 2019.

⁸⁷⁴ interview 18.

A pivotal moment emerged in January 2021 with the arrival of a new U.S. administration. During his 2020 electoral campaign, President Joe Biden endorsed a global minimum tax rate of 21%, seeking to align international tax rules with his domestic tax agenda – under the Build Back Better plan – of raising the country’s minimum tax rate for U.S. multinationals’ foreign earnings to 21% (referred to as ‘GILTI’⁸⁷⁵).

In contrast, his predecessor, President Donald Trump, had supported a lower minimum tax rate for Pillar Two at 10.5%, mirroring the GILTI tax rate for U.S. multinationals’ foreign earnings, introduced under his 2017 tax reform. This lower rate reflected the Trump’s administration’s more lenient approach to taxing foreign earnings of U.S. multinationals, aiming to encourage U.S. firms to repatriate foreign income while limiting companies’ tax burdens.

By spring 2021, countries began uniting around a rate of ‘at least’ 15%. On April 5th, 2021, President Biden presented his fiscal policy, calling for a global minimum tax, though he did not explicitly reiterate the mention of an increase from 10.5% to 21%⁸⁷⁶. A month later, on May 21st, 2021, the U.S. officially supported a global minimum tax rate of ‘at least 15%’, without exemptions for any industry⁸⁷⁷. At the G20 meeting in Venice on July 8th, 2021, an initial international agreement was signed, establishing a global minimum tax rate of ‘at least’ 15%.

In the final stretch of the negotiations, however, Ireland and several Eastern European countries pushed back against the ‘at least’ phrasing. After several back and forth in the summer 2021, the final international agreement of October 2021 omitted this language, setting the global minimum tax at 15%.

Thus, these findings support the claim that economic considerations were central to governments’ willingness to endorse policy change. While countries expressed broad support for establishing a floor on tax competition, particularly in response to media scrutiny and political attention over multinationals paying minimal taxes – the Pillar Two negotiations ultimately unfolded as a bargaining process, with each government seeking to protect its specific fiscal and competitive advantages.

4.2.b. The Scope of the Global Minimum Tax

⁸⁷⁵ this rate was introduced by President Trump – the section on the U.S., later in this chapter, provides further information.

⁸⁷⁶ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p274.

⁸⁷⁷ *Idem*, p281.

In the final version of Pillar Two, countries agreed to target multinationals with annual gross revenues of at least €750 million⁸⁷⁸. Critically, the scope of Pillar Two aimed to put a floor on the tax competition of lower-tax jurisdictions, but retain benefits for more local businesses.

Indeed, the evidence shows that countries aimed to safeguard their national interests while adapting to a global minimum tax. Whether countries supported or opposed the introduction of a global minimum tax, they all sought to secure exclusions and carve-outs to protect their domestic industries. This finding reinforces the realist claim in the research theory according to which economic interests constrained the range of options available for governments to respond to mounting political pressure for ending aggressive tax optimisation – by putting a floor on tax competition between countries.

According to the OECD 2020 report, the Pillar Two threshold aimed⁸⁷⁹:

‘To avoid adverse impacts on Small and Medium Enterprises (SME)’s while preserving the impact of the rules with in-scope MNE Groups still earning over 90% of global corporate revenues’.

Two measures were introduced to preserve domestic economic competitiveness under the Pillar Two regime: substance-based carveouts (SBCs), which then evolved into the final mechanism of the substance-based income exclusion (SBIEs). Both mechanisms were designed to allow jurisdictions to maintain aspects of their economic model and protect critical industries.

SBCs, and later SBIEs, discouraged profit-shifting to low-tax jurisdictions while maintaining competitiveness by partially excluding from the global minimum tax companies that demonstrated genuine economic substance. A wide range of countries, particularly those with large industrial sectors, defended the right to support strategic industries through tax incentives such as Research and Development tax credits or tax-free investment zones. They argued that opt-outs enabled countries to combat profit shifting without penalising companies engaged in the real economy. This way, they could put a floor on tax competition while preserving incentives for investment⁸⁸⁰.

Quentin Parrinello, a spokesperson for Oxfam, stressed the importance of those negotiations⁸⁸¹:

⁸⁷⁸ OECD (1 July 2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁸⁷⁹ Pillar 2 also excluded certain government entities such as sovereign wealth funds or international and non-profit organisations, as well as investment and pensions funds, because these entities and organisations were already exempt from tax duties under domestic tax law, in OECD (14 October 2020), *Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁸⁸⁰ Devereux, M. (23 November 2021), ‘What is the substance-based carve-out under Pillar 2? And how will it affect tax competition?’, *Oxford University Centre for Business Taxation*, p1.

⁸⁸¹ interview 41.

‘France wanted to be able to keep tangible assets out of the calculation, and now some intangible assets, with its research and development tax credits, and the Medef and the FEP have been pushing for it a lot ... What is destructive is the R&D, when you start playing game with the accounting of the tax base, so the actual taxation is not more; all the negotiations is about trying to reduce the base, and to interpret little pieces of language as base erosion’.

Under the initial SBC concept, certain assets deemed part of a company’s substantial economy activity – such as qualifying tangible assets, e.g. machinery or property, salaries, and employee compensation – were excluded from the calculation of the global minimum tax. This meant that companies engaged in value-creating activities like R&D or manufacturing, or those with a substantial workforce, would see a greater portion of their income excluded from the calculation of the global minimum tax.

As Quentin Parrinello explained, with these carve-outs⁸⁸²:

‘We accept to offer a tax cut if there is real activity , so a letterbox country gets Pillar Two right in its face, but a country which wants to remain competitive it can do so within the limits of the carve-outs, so have an effective tax rate slightly lower than 15% because a small portion of the companies’ income will be taken out of the calculation’.

As negotiations progressed, SBCs were consolidated into the substance-based income exclusion (SBIEs) framework. SBIEs also included the protection of companies with genuine economic activity linked to highly mobile intangible assets, such as intellectual property and patents. These exclusions allowed countries to support domestic R&D in their territory by securing tax credits – or in this case, carve-outs – for strategically important sectors operating within their borders.

Importantly, however, both SBCs and SBIEs were designed to be transitional. They were intended to ease the adjustment of national economies to the new system, with benefits tapering off over a ten-year period⁸⁸³. As the transition progresses, the scope of these carve-outs and exclusions would gradually narrow. It underlines the goal of countries to ultimately converge to a more coordinated model, with lesser exclusions and country-specific tax deductions.

⁸⁸² interview 41.

⁸⁸³ OECD (14 December 2021), *Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two)*, ‘Section 9. Transition rules’, OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

4.2.c. The Right to Levy the Global Minimum Tax

Another central issue in the Pillar Two negotiations concerned which country had the right to levy a top-up tax on companies paying below the global minimum tax. Like other points in the negotiations, the discussions were interest-driven: every jurisdiction had a stake in securing the ability to tax more corporate income within its borders.

Several models were initially proposed, each offering a different mechanism for applying the global minimum tax. After several rounds of technical discussions, countries agreed to combine elements from three approaches: the Income Inclusion Rule (IIR) would serve as the primary mechanism for applying the global minimum tax, with the Undertaxed Payments Rule (UTPR) acting as a secondary, or back-up, tool if a country failed to tax adequately⁸⁸⁴.

Under the IIR, the country of the parent company would apply the top-up tax to income earned by its subsidiaries in low-tax jurisdictions. In effect, if a subsidiary paid less than 15% tax in a given country, the parent company's home country could levy a tax to make up the difference. This rule ensured that the entire multinational group paid at least the minimum rate on a jurisdiction-by-jurisdiction basis.

If the IIR is not implemented effectively – for instance, if the parent company's country chooses not to apply it – the UTPR provides an alternative enforcement mechanism. The UTPR empowers other countries where the group operates to collect the residual top-up tax on intra-group payments, by denying deductions, or making equivalent adjustments. In this way, it ensures that the minimum tax is enforced even if the parent jurisdiction declines to apply the IIR.

Following the initial policy drafts, the OECD also introduced the option of a Qualified Domestic Minimum Top-up Tax (QDMTT), which allowed countries to collect any top-up tax domestically *before* the IIR or UTPR could apply⁸⁸⁵. The logic of the QDMTT was straightforward: if a jurisdiction applied a QDMTT, it could collect the additional tax revenue on low-tax profits within its own borders, rather than ceding those revenues to the parent company's country through the IIR, or to other jurisdictions through the UTPR. The QDMTT was a critical mechanism in reinforcing national tax sovereignty while ensuring that the minimum tax floor was respected across the globe.

The QDMTT innovation was particularly advantageous for developing and investment-hub countries with low tax rates, which had been concerned about losing taxing rights to headquarter countries. It

⁸⁸⁴ OECD (14 October 2020), [Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS](#), OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing.

⁸⁸⁵ OECD, [Global Minimum Tax](#), GloBE Model Rules, OECD.org.

represented a key compromise in the negotiations, allowing states with less bargaining power and economic leverage to ensure that Pillar Two would not disproportionately benefit major headquarter jurisdictions, such as the U.S. and the EU.

This system allowed countries to preserve their domestic tax autonomy while incentivising broad adoption of Pillar Two, because of the right for other countries to add a top-up tax if another country does not levy the right amount of tax.

One OECD official described the logic of the Pillar Two roundabout as follows⁸⁸⁶:

‘Here is the money on the table, take it, if you don’t, your neighbour will take it for you’.

In this way, the Pillar Two framework balanced national sovereignty with the need for a coordinated global tax floor. However, the business community remained sceptical to its implementation.

A senior tax accountant at a Big Four firm explained⁸⁸⁷:

‘My point is not about the necessity of having a minimum tax system, of course elected governments are free to decide what they want, how they want to shape the tax system, but you need to allow the economy to absorb these big new changes, and I don’t think this is happening now, it will be very expensive for the economy, but you know we have said it many times, it’s populism’.

This resistance is significant: it lends support to the saliency hypothesis by indicating that governments were not simply responding to domestic economic interests or industry preferences. Instead, their support for moving forward with Pillar Two also reflected the political will to secure an international tax agreement on both pillars, even when industry leaders stood against it.

4.3. The U.S. and Ireland: Two Countries that Mattered

Finally, it is worth highlighting the role of the U.S. and Ireland in the Pillar Two negotiations. In line with liberal intergovernmental theories, this section adds further details regarding the pivotal role and significant weight of the U.S. in the conclusion of the negotiations. The final section zooms in on Ireland, which was a pivotal actor as the host of most Big Tech in Europe.

⁸⁸⁶ interview 47.

⁸⁸⁷ interview 5.

4.3.a. The U.S. Tax Reform of 2017: A Turning-Point for Pillar Two

The U.S. Tax Cuts and Jobs Act (TCJA)

The U.S. tax reform of 2017 marked a critical juncture in the development of Pillar Two. Signed into law on December 22nd, 2017, the Tax Cuts and Jobs Act (TCJA) came into effect in 2018. It significantly altered the U.S. Treasury's position in international tax negotiations. The implications of this reform are essential for understanding the U.S.'s evolving economic interests in the push for a global minimum tax.

TCJA was pivotal because it fundamentally realigned the U.S.'s interests in international tax negotiations. Now that U.S. multinationals were subject to a minimum tax through the GILTI mechanism – as detailed further below – it became strategically important for the U.S. to ensure that foreign competitors were similarly constrained. Securing a global minimum tax through Pillar Two became a priority for the U.S. in order to level the playing field for U.S. firms, so that all firms worldwide would be subject to a global minimum tax.

TCJA introduced four major provisions that reshaped the international tax landscape for U.S. multinationals. With a new carrot-and-stick approach, TCJA was designed to discourage profit-shifting and draw intangible assets and high-value economic activity back to the U.S. It fundamentally changed the incentives facing U.S. multinationals by eliminating the previous tax deferral system, under which multinationals were encouraged to accumulate profits offshore.

To understand the significance of this shift, some historical context is necessary before offering further details on TCJA. Since at least the interwar period, the U.S. had used its tax policy to support the international competitiveness of its corporations. Under the deferral system, U.S. multinationals were taxed on foreign income only when it was repatriated. This allowed them to defer tax payments on 'active income offshore' – earnings that were reinvested abroad – until the money was repatriated. Especially prominent in the post-Kennedy era, it supported the growth of U.S. multinationals overseas and the 'creation of an economic empire'⁸⁸⁸. It was aimed at supporting the growth of U.S. multinationals abroad with minimal tax liability, at a time when the latter played a strategic role in the geopolitical power of the country.

⁸⁸⁸ 'La réforme fiscale américaine aboutit à une nouvelle forme de protectionisme', *Deloitte*, 17 January 2018 ; 'L'administration Trump a créé un protectionisme moderne', *Le Monde*, 23 October 2020.

As the CEO of a U.S. multinational noted⁸⁸⁹:

‘(Before 2017) it was seen as anti-competitive not to help companies investing abroad’

The 2017 tax reform marked a sharp departure from this longstanding expansionist stance. While efforts to curtail deferral had already begun under President Obama, whose Treasury Secretary Timothy Geithner stated in 2009 that⁸⁹⁰:

‘Our tax code provides a competitive advantage to companies that invest and create jobs overseas compared to those that invest and create those same jobs in the US’.

As Geithner put it, the administration sought⁸⁹¹:

‘To ensure that our tax code does not stack the deck against job creation here on our shores’.

President Trump’s administration took this logic further. The aim was to eliminate incentives for offshoring altogether. Trump’s TCJA cemented this pivot, representing a shift from decades of outward-looking tax policy to a more protectionist framework focused on repatriating profits and strengthening the domestic tax base.

Four major provisions were passed under TCJA. ‘Invest in America’ was the underlying message for the reform.

First, the domestic corporate tax rate was cut from 35% to 21%, making the U.S. a more attractive base for business. Second, the FDII (Foreign-Derived Intangible Income) provision offered tax deductions for income derived from intangibles held in the U.S., effectively rewarding companies that chose to localise mobile income domestically. Third, the BEAT (Base Erosion and Anti-Abuse Tax) targeted base erosion by taxing deductible payments, such as royalties or interest, made to foreign affiliates if they exceeded a set threshold of the company’s total deductions.

Fourth, and most importantly, the GILTI (Global Intangible Low-Taxed Income) provision imposed a 10.5% minimum tax on the foreign income of U.S. multinationals. This measure was designed to bring more profits back to the U.S. while also ensuring that the fiscal impact of the TCJA’s tax cuts would be offset. As a former U.S. Senate staffer and current public affairs director for a Big Tech explained, the

⁸⁸⁹ interview 15.

⁸⁹⁰ The White House, Office of the Press Secretary (4 May 2009), [Levelling the playing field: curbing tax havens and removing tax incentives for shifting jobs overseas.](#)

⁸⁹¹ *Idem.*

GILTI provision was essential for Congressional approval of the TCJA, as it demonstrated how revenue from GILTI could balance the projected losses from domestic tax cuts over a ten-year horizon⁸⁹².

The TCJA also included the Transition Tax, which temporarily allowed companies to repatriate foreign earnings at a reduced tax rate, payable in instalments – a form of ‘tax holiday’. This further incentivised multinationals to move their funds back to U.S. shores, as earnings left abroad faced a higher rate under the GILTI scheme.

In other words, the U.S. tax reform effectively reversed the postwar model of using tax policy to promote the global expansion of U.S. business. It aligned the interests of the U.S. with those of attracting companies in their jurisdiction and putting a floor on tax competition. This realignment played a key role in reviving and advancing international discussions on Pillar Two, as the U.S. sought to bring international tax norms in line with its newly reformed domestic system.

GILTI and Pillar Two

As a result, the U.S. had a strategic interest in advancing Pillar Two negotiations to ensure that all multinationals would be subject to a global minimum tax – and not just U.S. firms. This interest was closely tied to the existing GILTI regime introduced in the 2017 U.S. tax reform.

Because GILTI already imposed a minimum tax on the foreign earnings of U.S. multinationals, the U.S. was particularly concerned that Pillar Two aligned with GILTI’s calculation methods, so that multinationals beyond the U.S. would be subject to a similar rule. This shows that governments negotiated Pillar Two according to their economic interests. It also shows that the U.S. played a central role in the negotiations, in line with the liberal intergovernmental theory according to which the country with the more economic weight will direct policy negotiations.

Indeed, countries disagreed on how to calculate companies’ tax returns under Pillar Two, which was primarily driven by the U.S.’s preference for aligning Pillar Two with its own domestic equivalent of a global minimum tax – GILTI. Washington resisted proposals that diverged too sharply from its domestic approach, underscoring its goal of harmonising international tax reforms with its own fiscal architecture.

⁸⁹² interview 11.

While the OECD blueprint proposed securing 15% of tax paid by multinationals in each jurisdiction, the U.S.' GILTI system calculated a company's tax returns on a global basis. This meant that, under the U.S. version, using a global blending calculation, a multinational could pay above the minimum rate in one country and below the minimum in another, offsetting its overall tax liability to still meet the global minimum tax requirement.

In contrast, under Pillar Two, companies are not allowed to offset liabilities between jurisdictions. If they pay more than 15% in one country but less in another, they must still top up to 15% in each jurisdiction. It means that Pillar Two was stricter than GILTI, which allowed multinationals to strategically position their assets in order to decide where to pay the global minimum tax.

Because of this, there were disagreements between countries concerning the GILTI regime, and whether U.S. multinationals should be subject to both GILTI and Pillar Two. There were disagreements not only between administrations but also within the tax community. A US-based academic, closely involved in tax policy developments, argued⁸⁹³:

'There are good reasons to conclude that taken as a whole, the panoply of minimum taxes enacted by the US are at least equivalent to the regime for taxing multinationals' global earnings proposed by the OECD'.

However, Julian Feiner, a London-based tax lawyer pushed back⁸⁹⁴:

'I tend to agree, they (Pillar 2 and the US's combined domestic laws) are in the same ballpark, but why does the U.S. bring its own ball and not use the OECD's...?'

Dan Neidle, a British tax lawyer and investigative journalist, also highlighted the U.S. interests in aligning Pillar Two with GILTI⁸⁹⁵:

'The U.S. won't be happy when they see U.S. corporations pay more taxes because GILTI is not viewed as Pillar Two compliant'.

At the time of writing this thesis, the U.S. has made moves toward a 'side-by-side coexistence' of both systems rather than a full alignment with the OECD's Pillar Two. Thus, the evidence above underscores that countries approached the negotiation of the global minimum tax rate through the lens of their

⁸⁹³ Herzfeld, M., *Twitter*, 21 October 2022.

⁸⁹⁴ Feiner, J., *Twitter*, 21 October 2022.

⁸⁹⁵ interview 49.

national economic interests. Additionally, the evidence shows that the U.S. played a pivotal role in the negotiations in unlocking progress for the Pillar Two discussions only when it served its objective of aligning international tax rules with its significant 2017 domestic tax reform. This adds substantial evidence in support of the liberal intergovernmental claim, according to which countries with the highest bargaining power will direct international negotiations.

4.3.b. Ireland's Role in Pillar Two

This section concludes the chapter by zooming in on the role of Ireland in the conclusion of the negotiations. As both a member of the European Union and the primary European hub for many U.S. multinationals – particularly in the tech sector – Ireland played a central role in balancing U.S. and European interests during international tax negotiations.

The Arrival Of Foreign Multinationals

Ireland came to be seen as a hub for multinationals in Europe, and a fiscally attractive jurisdiction. The country's low-tax strategy dates back to November 1958, when former Governor of the Central Bank, T. K. Whittaker, published *Economic Development*. It was a White Paper advocating the use of competitive tax rates to attract foreign direct investment. Based on this logic, Ireland gradually opened up its economy to foreign investors with advantageous tax rates. From the 1960s onward, the country attracted waves of foreign companies, initially pharmaceuticals, medical technologies, and electronics.

Ireland became particularly attractive for international companies when it joined the European Economic Community in 1973, as the country then combined market access with favourable taxation⁸⁹⁶. By the 1980s and 1990s, major U.S. tech multinationals began relocating their European operations to Ireland, including Microsoft (1985), Intel (1989), Motorola (1989), HP (1995), and IBM (1996). This was followed in the 2000s by digital and gaming platforms like Google (2003), Yahoo (2003), eBay (2004), Amazon (2005), Facebook (2008), LinkedIn (2010), and Twitter (2011)⁸⁹⁷.

Irish economic historians have also highlighted the transformational impact of foreign investment. Cormac O'Grada described it as⁸⁹⁸:

⁸⁹⁶ Chambers, A. (2015), T. K. Whittaker, Portrait of a Patriot, *DoubleDay Ireland*, p143.

⁸⁹⁷ Donnelly, P., 'How foreign firms transformed Ireland's domestic economy', *The Irish Times*, 13 November 2013.

⁸⁹⁸ O'Grada, C. (1997), A Rocky Road: The Irish Economic Since the 1920s, *Manchester University Press*.

‘The remarkable transformation of the economy between the late 1950s and early 1970s (which) may be largely attributed to the arrival of the multinationals’.

Frank Barry noted the emergence of a dual industrial structure: one composed of a technologically advanced foreign companies and the other of smaller, less competitive domestic firms⁸⁹⁹.

Fintan O’Toole, in his book on post-war Ireland, portrayed the arrival of foreign multinationals as a kind of power replacement, in a country where both the Church and State had lost influence⁹⁰⁰:

‘From the mid-1980s the Industrial Development Authority developed a more sophisticated strategy of building clusters of world-leading companies, most of them American ... This was the new Holy Trinity that would replace the old ones ... In the 1990s, as these old systems were imploding in Ireland, the new one arrived just in time to take their place’ .

Because attracting foreign multinationals became so central to the Irish economy, the Irish Industrial Development Strategy (IDA) played a central role in this transformation. Shay Garvey, Founder of a tech start-up incubator and venture capital firm in Dublin, observed⁹⁰¹:

‘The power of economic policy setting in Ireland is held by the ministry of finance, the IDA, and the American chamber of commerce ... The IDA is the highest status job in Ireland. It has almost ambassador rank, it is all over the world, it was in Taiwan where there is no Irish embassy because of China, so the IDA becomes the de factor representative of Ireland, it controls the industrial policy and diplomacy’.

As a result, the economic interests of tech multinationals became deeply embedded in Ireland’s national strategy. Damon Silvers, policy advisor for the AFL-CIO trade-union and the Biden administration, put it starkly⁹⁰²:

‘The entanglement of Irish economic policy with U.S. multinational interests made Ireland effectively a proxy for U.S. business ... Ireland is almost some kind of spokesperson for multinationals, especially tech companies, so that when you saw the tech companies agree to something, and then Ireland disagree, you knew the tech companies hadn’t really agreed’.

⁸⁹⁹ Barry, F. (2023), *Industry and Policy in Independent Ireland, 1922-1972*, Oxford University Press.

⁹⁰⁰ O’Toole, F. (2023), *We Don’t Know Ourselves*, *Head of Zeus*, p493.

⁹⁰¹ interview 45.

⁹⁰² interview 31.

This is a key piece of evidence, as it indicates that business interests played a prominent, visible role in international negotiations – particularly in countries like Ireland, where economic interests were vigorously defended. Because of the embeddedness of U.S. tech multinationals in the Irish economy, Ireland closely followed the interests of these companies during policy negotiations. This stands in contrast to the cases of France and the UK, where political saliency emerged as a significant counterweight to business preferences in shaping policy debates.

Additionally, Ireland’s reputation also played a role in attracting foreign headquarters. It adds support to the claim that saliency mattered. As tax experts Brian O’Boyle and Kieran Allen pointed out, multinationals could minimise their reputational risks internationally by locating themselves in Ireland, as the latter was considered a low-tax country yet without a strong reputation of tax havens such as ‘Bermuda or the Cayman Islands’, where companies faced more criticism of ‘tax dodging’⁹⁰³:

Ireland’s ‘Existential’ Low Tax Rates

Importantly for this research, Ireland’s strategy for attracting international companies relied heavily on Ireland’s fixed 12.5% corporate tax rate, which offered long-term stability to multinationals. John Fitzgerald, senior economist and former official in the Irish Treasury, explained⁹⁰⁴:

‘A key factor that the Industrial Development Strategy emphasises is that it will signal 10 years in advance when they are going to change the tax regime, so you know what it is you are buying into, there is going to be no surprise’.

The centrality of low corporate tax rate to Ireland’s model was especially visible in the aftermath of the global financial crisis. After several Irish banks collapsed, the government implemented harsh austerity measures rather than raising corporate tax rates to qualify for an international bailout fund⁹⁰⁵. Paul Duffy, Vice-President at Pfizer in Ireland, underscored the importance of tax certainty for investment:

‘The corporate tax is one of the pillars of Ireland’s economy, because it drives exports and jobs, and creates tax revenues for the government ... When you’re a company like Pfizer, you make billions of dollars of investments for the long-term because Ireland has provided (tax) certainty’⁹⁰⁶.

⁹⁰³ see second Empirical Chapter: The United Kingdom, p181.

⁹⁰⁴ interview 21.

⁹⁰⁵ ‘In Ireland, Low Corporate Taxes Go Untouched’, *New York Times*, 25 November 2010.

⁹⁰⁶ *Idem*.

Another example of how central the corporate tax structure is to Ireland was the Irish government's response to the European Commission's state aid case against Apple. This followed the actions of U.S. Senator Carl Levin in 2012, who had called out Ireland as a 'tax haven'. European Commissioner Margrethe Vestager then launched a two-year tax investigation (2014-2016) into Apple, concluding that Ireland had granted advantageous benefits to the company.

Vestager relied on state aid legislation to denounce low-tax schemes as mechanisms that distorted competition within the EU single market. As a result of the investigation, the European Commission requested a court order for Ireland to recover €13 billion plus interest from Apple for the period 2003-2014 – the largest tax fine in history⁹⁰⁷. Vestager also clarified that her investigation excluded earlier years due to prescription rules, although Apple had benefited from artificially lowered tax rates since 1991⁹⁰⁸.

However, in response, Ireland entered into a legal battle with the European Commission over Apple's tax bill. In July 2020, Ireland won the initial case before the General Court of the European Union⁹⁰⁹. The Commission later won its appeal before the European Court of Justice⁹¹⁰.

It is an important case because it highlights the significance of Big Tech in the Irish economy, evidenced by the government's resistance to the Commission's demands to reclaim taxes from Apple.

Ed Brophy, a senior member of the Irish Treasury, argued⁹¹¹:

'It would have created a huge precedent, some thought we must take the money, but we had to support our foreign investors'.

John Fitzgerald, a former member of the Commission for the Central Bank of Ireland, elaborated⁹¹²:

'There was a low probability that Apple will lose the case, so the government was making this assessment that it was unlikely to get the 13 billion, and if it tried to get it the reputational damage for Ireland within the business community would be significant, and they decided the latter was worth more than the bet of getting this 13 billion'.

⁹⁰⁷ *Case C-678/17: Order of the President of the Court of 8 November 2018 — European Commission v Ireland, Official Journal of the European Union*, 8 November 2018.

⁹⁰⁸ European Commission, *State aid: Ireland gave illegal tax benefits to Apple worth up to €13 billion*, Press release, 30 August 2016.

⁹⁰⁹ General Court of the European Union, *Judgment in Cases T-778/16, Ireland v Commission, and T-892/16 Apple Sales International and Apple Operations Europe v Commission*, Press release, 15 July 2020.

⁹¹⁰ *Case C-465/20: Judgment of the Court (Grand Chamber) of 10 September 2024 – European Commission v Ireland and Apple Sales International, Official Journal of the European Union*, 10 September 2024; 'Apple loses EU court battle over €13bn tax bill in Ireland', *The Guardian*, 10 September 2024.

⁹¹¹ interview 43.

⁹¹² interview 21.

Additionally, the Irish government's response to media coverage of existing tax loopholes highlighted the challenging balancing act between addressing concerns over tax avoidance and protecting vital sectors of the Irish economy. In 2015, Ireland's finance minister Michael Noonan announced in his Budget that a series of tax loopholes revealed in media coverage, dubbed the 'Double Irish' tax scheme would be phased out over five years. However, when the 'Single Malt' loophole became public knowledge in 2017, Sinn Fein MEP Matt Carty criticised the government but was told by the finance minister Michael Noonan to 'pull on the Green Jersey'⁹¹³.

Overall, the evidence shows that for many Irish stakeholders, relinquishing the country's low tax rates meant jeopardising an economic growth model that had successfully attracted so many multinationals. There was strong support for maintaining Ireland's low-taxation model, which had made the country particularly attractive for foreign direct investment.

Ireland in Pillar Two negotiations

Accordingly, the Pillar Two negotiations on a global minimum tax posed a risk to Ireland's growth model, which depended heavily on a competitive tax rate to attract foreign multinationals. As a small country, Ireland could not prevent the passing of international tax reforms – instead, it focused on maintaining its reputation amongst the business community as a jurisdiction with competitive tax rules.

The shift in the Irish position during the BEPS 2.0 negotiations – ultimately leading to its acceptance of the 15% rate – was executed only after the government had demonstrated its continued support for foreign multinationals. This is key in highlighting the closeness of the Irish government's position with business leaders' preferences. It also lends support to the liberal intergovernmental claim according to which Ireland, as a country with relatively small bargaining power, could not stop the progress of the Pillar Two negotiations.

John Fitzgerald, a former member of the Commission for the Central Bank of Ireland, explained⁹¹⁴:

'Ireland was always going to make concessions, but in terms of holding off, making it seem like it was a big concession, where actually it is good for you, to have more revenue, the Prime Minister Paschal Donohoe played very well'.

⁹¹³ O'Boyle, B. and Allen, K. (2021), *Tax Haven Ireland*, Pluto Press, chapter 4, p73.

⁹¹⁴ *Idem*.

Feargal O'Rourke, former managing director at PwC Ireland, provided a key insight into the Irish government's strategy⁹¹⁵:

'Companies I was speaking with did not ask me about the rate once, and I asked why, to which they replied "I know Feargal that Ireland will always remain competitive whatever the floor rate is" ... so from Tallinn to July 2021, the government opposed it until it was impossible to resist'

It is important to recognise O'Rourke's unique position within Ireland. As a senior executive at PwC and close family ties to Irish political leadership – including a former Cabinet Minister and a Minister for Finance – O'Rourke holds a rare degree of overlap between Ireland's corporate and political spheres. Irish scholars O'Boyle and Allen note that he is 'is unusual in the degree to which his networks overlap with the key power structures in Irish society'⁹¹⁶.

In parallel to the negotiations over the 15% rate, however, Ireland ensured that it would keep a lower domestic corporation tax rate for smaller businesses in parallel to the global minimum tax for multinationals. O'Rourke recalled⁹¹⁷:

'They rung the European Commission's Directorate General for Competition and asked for reassurance, it was what made them say yes to the deal at the end'.

Crucially, Ireland successfully lobbied its OECD counterparts to remove the phrase 'at least' from the Pillar Two framework, thereby capping the global minimum corporate tax rate at 15%. This was a significant concession for low-tax jurisdictions – and for multinational businesses – as it made the possibility of future increases more difficult.

Shay Garvey, founder of a Dublin-based start-up incubator and venture capital, stressed the importance of establishing a fixed rate for maintaining investor confidence⁹¹⁸:

'The French wanted the global minimum tax to be "at least" 15%, but we have always given investors' certainty. Now the IDA can say it is 15%, not "at least" 15%. Internally in Ireland this is the more important thing, the adherence to a number not the actual absolute number. Whatever the number, it has to be fixed, and that is why we were delaying'.

⁹¹⁵ interview 44.

⁹¹⁶ O'Boyle, B. and Allen, K. (2021), *Tax Haven Ireland*, Pluto Press, p97.

⁹¹⁷ interview 44.

⁹¹⁸ interview 45.

Similarly, Frank Barry, an economist at Trinity College Dublin, echoed this sentiment⁹¹⁹:

‘I was very fearful of the recent OECD agreement, our finance minister Pascal Donohoe pushed for removing the “at least”, and that was very important to me. If it had be “at least” 15% it is very different than a move from 12.5% to 15%, which is not going to shake any of the tech companies substantially ... otherwise countries like France would come back every year and try to bring up the minimum tax to the French rate’.

Overall, the evidence above supports the argument that, while international tax negotiations were propelled by political pressure for tax reforms outside Ireland, national economic interests and state bargaining powers ultimately narrowed the range of options available to Irish policymakers. In line with the interest-based theory, they focused on setting a global minimum tax rate to a fixed rate, limiting the scope for future adjustments.

Ireland’s key geopolitical position

Moreover, Ireland’s complex position between the U.S. and its European counterparts influenced its stance. While Ireland’s economic model has relied heavily on the presence of U.S. multinationals, its EU membership has also made it a key European partner. This adds a slight nuance to the claim that Ireland’s position was informed solely by economic interests – his strategic role as a European Union member also accounted for the government positions during international tax negotiations.

Responding to a question from the American Bar Association in 2000 about Ireland’s geopolitical orientation, Irish Minister for Enterprise, Trade and Employment Mary Harney replied⁹²⁰:

‘Ireland is in a very special position between America and Europe’.

Indeed, Ireland’s membership to the EU influenced the stance of the government during international tax negotiations, even when European countries, like France, put forward reforms against Irish economic interests.

John Fitzgerald, a former member of the Commission for the Central Bank of Ireland, explained⁹²¹:

⁹¹⁹ interview 47.

⁹²⁰ O’Toole, F. (2023), *We Don’t Know Ourselves*, *Head of Zeus*, p537-538.

⁹²¹ interview 21.

‘Since we have joined the EU we have relied significantly on the French umbrella on quite a lot of issues to protect us, for instance on agriculture, and France has been particularly crossed on the tax issue, so to get France off our back was good’.

Feargal O’Rourke, too, acknowledged the broader geopolitical balancing act⁹²²:

‘France has been a huge friend to us, during Brexit and everything, so it was like ok if that is what we need for peace then fine we will do it’.

Frank Clarke, Ireland’s former Chief Justice added⁹²³:

‘On one hand Ireland does not want to be too eager, because that might lead to some Big Tech restructuring or relocating, but on the other hand if the rest of the world goes along with a model then Ireland does not want to be an outsider; that has been the position of the Irish government at the OECD’.

This evidence is significant, not because it directly confirms the explanatory power of salience in policymaking, but because it demonstrates how Ireland’s self-perception – channelled into its political discourses – influenced the government’s approach to international tax negotiations.

4.4. Wrapping Up

To conclude, the evolution of the Pillar Two negotiations reveals that while there was broad rhetorical alignment around curbing aggressive tax optimisation by multinationals – in line with mounting political pressure to address salient questions – the actual policymaking process remained deeply shaped by national economic interests and the country with the highest bargaining power. International tax negotiations were propelled by political pressure for tax reforms, but national economic interests and governments’ bargaining powers set the final direction of the policy negotiations.

Countries endorsed the principle of a global minimum tax not as a repudiation of competition, but as a recalibration – one that preserved space for preferential treatment of strategically important sectors and maintained elements of their existing tax models.

⁹²² interview 44.

⁹²³ interview 46.

Major economies like France, Germany, and the UK balanced their support for Pillar Two with efforts to secure carve-outs that would safeguard real economic activity and uphold incentives for key industries. Countries such as Ireland defended their low-tax models, viewing the reform as a challenge to their competitive edge. Similarly, the U.S.'s backing for the reform stemmed not from ideological convergence, but from a recalibrated interest following its 2017 tax overhaul, which had already introduced a minimum tax on foreign earnings via GILTI.

Ultimately, Pillar Two did not eliminate tax competition; rather, it restructured its boundaries. The negotiations were less about abandoning national autonomy and more about redefining it within a multilateral framework. Governments endorsed change to the extent that it could be aligned with domestic imperatives, confirming that economic self-interest remained a cornerstone of international tax diplomacy alongside meeting domestic expectations for policy reforms. These findings support the research theory claim that political saliency provided the motor for change while economic interests constrained the pool of options available to policymakers.

Crucially, the evidence has highlighted the pivotal role of the U.S. in setting the pace and direction of the negotiations. As the host to the Big Tech under the public spotlight, and to a significant number of multinationals, the world's largest economy benefited from a significant bargaining power. These findings are in line with the liberal intergovernmental theory, according to which international policy negotiations are defined by the interests of the strongest.

5. An Alternative Explanation Based on the Epistemic Community

Finally, this section considers a key alternative explanation to the research theory. As a reminder, the expert-based explanation contends that the progress of international tax proposals is primarily shaped by the actions and preferences of tax professionals, regardless of the degree of political saliency.

According to this perspective, the epistemic community exerts greater influence over international tax reforms than those operating primarily within political or public arenas. Previous chapters have provided substantial evidence regarding the role of tax experts at the national level. Here, the focus shifts to the international dimension of tax reform.

If this alternative explanation holds, it would weaken the explanatory power of the saliency-based theory. Conversely, if experts appear subordinate to political dynamics, the saliency theory is strengthened.

Extensive literature supports the claim that tax experts played a significant role in shaping international tax norms. The epistemic community literature argues that professionals hold considerable sway in international tax negotiations because they can leverage technical knowledge and professional networks in policy discussions⁹²⁴, where control of information control and expertise are crucial⁹²⁵.

Scholars such as Sharman (2006), Rixen (2008), and Collier (2023) have documented how expert actors contribute to the creation and diffusion of tax policy⁹²⁶. Christensen (2020), in particular, has demonstrated the influence of elite professionals in tax policymaking due to their in-depth expertise, extensive networks, and material resources.

In highly technical settings such as the BEPS project, the literature notes the dominance of a specialised group of professions who led the policy process⁹²⁷. Christensen (2020) wrote in his doctorate⁹²⁸:

The BEPS project was ‘driven by elite professionals and experts from international organisations, governments and the private sector ... A specialised group of elite professionals, mostly Western experts equipped with deep, domain-specific expertise, dominated the policy debates. Only a few non-technical experts, such as civil society activists, participated’.

Hampton and Christensen (2011)⁹²⁹ also found that the emergence of offshore tax havens was facilitated by elite lawyers, whereas Webb (2004)⁹³⁰ showed that private sector tax experts successfully resisted the OECD’s early 2000s crackdown on tax havens.

⁹²⁴ Nowicka, M. (2007), Mobile locations: Construction of home in a group of mobile transnational professionals, *Global Networks*, Vol.7, Issue 1, pp69–86; Waters, J. L. (2007), ‘Roundabout routes and sanctuary schools’: The role of situated educational practices and habitus in the creation of transnational professionals’, *Global Networks*, Vol.7, Issue 4, pp477–497; Kauppi, N., & Madsen, M. (2013), Transnational Power Elites: The new professionals of governance, law and security, *New York: Routledge*; Stone, D. (2013), ‘Shades of grey: The World Bank, knowledge networks and linked ecologies of academic engagement’, *Global Networks*, Vol.13, Issue 2, pp241–260.

⁹²⁵ Stone, D. (2002), Introduction: Global knowledge and advocacy networks, *Global Networks*, Vol.2, Issue 1, pp1–12; Stone, D. (2013), ‘Shades of grey: The World Bank, knowledge networks and linked ecologies of academic engagement’, *Global Networks*, Vol.13, Issue 2, pp241–260; Seabrooke, L. (2014), Epistemic arbitrage: Transnational professional knowledge in action, *Journal of Professions and Organization*, Vol.1, Issue 1, pp49–64.

⁹²⁶ Sharman, J. C. (2006), Havens in a Storm: The Struggle for Global Tax Regulation (1st edition), *Ithaca: Cornell University Press*; Rixen, T. (2008), *The Political Economy of International Tax Governance*, *Palgrave Macmillan*; Collier, R. (2023), *The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018*, *World Tax Journal*, Vol.15, Issue 2.

⁹²⁷ Büttner, T., & Thiemann, M. (2017), *Breaking Regime Stability? The Politicization of Expertise in the OECD/G20 Process on BEPS and the Potential Transformation of International Taxation*, *Accounting, Economics, and Law: A Convivium*; Hearson, M. (2018), *Transnational expertise and the expansion of the international tax regime: Imposing ‘acceptable’ standards*, *Review of International Political Economy*, pp1–25; Seabrooke, L. and Wigan, D. (2016), Powering ideas through expertise: professionals in global tax battles, *Journal of European Public Policy*, Vol.23, Issue 3; Sharman, J. C. (2012), *Seeing Like the OECD on Tax*, *New Political Economy*, Vol.17, Issue 1, pp17–33; Woodward, R. (2009), *The organisation for economic cooperation and development (OECD)*, *Oxford: Routledge*.

⁹²⁸ Christensen, R. C. (2020), *Politics and Professionals: Transnational Struggles to Change International Taxation*, *Copenhagen Business School (PhD), PhD Series No.5*, p265, p273.

⁹²⁹ Hampton, M. P. and Christensen, J. (2011), *Looking for Plan B: What Next for Island Hosts of Offshore Finance? The Round Table*, Vol.100, Issue 413, pp169–181.

⁹³⁰ Webb, M. (2004), *Defining the boundaries of legitimate state practice: Norms, transnational actors and the OECD’s project on harmful tax competition*, *Review of International Political Economy*, Vol.11, Issue 4, pp787–827.

Other studies conceptualise bureaucrats, national delegates, and lobbyists as a coherent ‘in-group’ of tax professionals, unified by shared knowledge, norms, and career paths⁹³¹. This cohesion can enhance their influence, as Burt (2010) put it, because ideas are easily shared within tightly connected professional groups⁹³²:

‘Ideas and behaviour (are) contagious between connected people who are only weakly equivalent to another’.

Further evidence shows how tax experts played a crucial role in tax reform due to the technical expertise needed in policy discussions. The complexity of tax policy often limits meaningful participation from outsiders.

For instance, Quentin Parrinello, Oxfam spokesperson, acknowledged⁹³³:

‘For sure we have less resources and capacity than the Big Four, they get very good access (to policymakers) also because they have the resources and capacity for being present, we (the NGOs) need to make choices on what we battle, and there are many policies happening at the same time for which we want to be influential’.

This dynamic disadvantaged civil society. Benjamin Angel, Director for Tax Policy at the European Commission’s Taxation and Customs Union department (DG TAXUD), acknowledged that NGOs often lacked the bandwidth to consistently engage in the highly technical discussions that took place within OECD working parties⁹³⁴:

‘The NGOs don’t have the time to invest in these topics, countries send their tax officials to the OECD daily for the working party meetings, in order to discuss very complex issues’.

One key example involved negotiations on the global minimum tax base, during which civil society struggled to match the technical proficiency of private sector accountants. Quentin Parrinello, Oxfam spokesperson, explained⁹³⁵:

⁹³¹ for instance, Picciotto, S. (1992), *International business taxation: a study in the internationalisation of business regulation*, London: Weidenfeld and Nicolson; Radaelli (1997), *The Politics of Corporate Taxation in the European Union: Knowledge and International Policy Agendas*, New York: Routledge; Christians, A. (2010), *Networks, Norms and National Tax Policy*, *Washington University Global Studies Law Review*, Vol, Issue 1, pp1-38; Christensen (2020); Büttner and Thieman (2017).

⁹³² Burt, R. S. (2010), *Neighbor Networks: Competition Advantage Local and Personal*, Oxford University Press, p256.

⁹³³ interview 6.

⁹³⁴ interview 18.

⁹³⁵ interview 6.

‘What we really need to look at now, to avoid an erosion of the tax rate, is the tax base, which is what is included in the calculation of a company’s tax duties. When you start playing game with the accounting of the tax base, for instance the R&D credits, the actual taxation can reduce, and so all the final negotiations have been about trying to reduce the base. These changes have been very difficult to monitor (for us) as they require so much research on the ins and outs of each technical change’.

The Tax Justice Network stood out as a rare civil society organisation with in-house tax expertise. As Baden and Wigan (2017)⁹³⁶ noted, this unusual level of expertise allowed the group to participate more authoritatively in policy debates.

In sum, the epistemic community clearly played a major role in shaping the technical details of international tax reforms. However, the overall evidence gathered across this research points to political salience and government preferences as the ultimate drivers of reform.

Indeed, experts generally followed the direction set by political actors. The BEPS 2.0 negotiations, in particular, marked a shift from earlier technocratic dominance. The eruption of political salience in the 2010s brought new actors – civil society, media, and politicians – into the policy space. Hampton and Christensen (2011) and Webb (2004) documented the prior success of tax experts from the private sector in sustaining tax havens. The fact that BEPS ultimately curbed tax haven activity suggests that political salience drove reform.

Several other studies on international tax reforms highlight this shift to a more salient policy space. Country-by-Country Reporting, for example, illustrates a decline in professional dominance. Baden and Wigan (2017)⁹³⁷ showed how civil society actors successfully secured such measures despite resistance from tax professionals. Advocacy groups, by mobilising scarce expertise and political backing, moved the policy debate outside the traditional expert network. They were able to induce a policy change by making taxation a political topic outside the scope of the epistemic community.

As Nolan (2014) quoted an Irish finance official⁹³⁸,

‘BEPS is technical in nature but political in flavour’.

⁹³⁶ Baden, A. and Wigan, D. (2017), Professional Activists on Tax Transparency, in Seabrooke, L. and Henriksen L. F. (2017), Eds. *Professional Networks in Transnational Governance*, Cambridge University Press, pp130-146.

⁹³⁷ *Idem*.

⁹³⁸ Nolan, A. (2014, June 23), A small country perspective on international taxation, in Christensen, R. C. (2020), *Politics and Professionals: Transnational Struggles to Change International Taxation*, Copenhagen Business School (PhD), PhD Series No.5, p281.

Grinberg (2016) also stressed the emergence of ‘political responses to perceived problems’⁹³⁹, while Christensen (2020) wrote⁹⁴⁰:

‘Public and political pressure for a “fair” tax system displays little concern for the normative or technical basis against which transnational policymakers have historically judged international tax rules’.

Julien Pellefigue, a partner and economist at Deloitte, similarly noted the change in tax policy-making in the early 2010s away from technocratic control. He emphasised the move from a policy topic focusing primarily on efficiency to one addressing principles of fairness⁹⁴¹:

‘Tax policies was primarily driven by a principle of economic efficiency over fairness (until the 2010s). The taxation of multinationals, because of its obscure technicalities, was for a long time a very expert topic with no political or media coverage. Things have changed dramatically in the 2010s’.

This political shift became especially evidence after the OECD’s 2019 progress report. A tax partner at accounting and consulting firm BDO told the *Financial Times* it was⁹⁴²:

‘A political compromise ... There are many definitions and technical mechanisms to be agreed ... And there will be many practical administrative problems to be resolved’.

Similarly, the signing of the October 2021 political agreement on the Two-Pillar Solution – before technical details were finalised – reinforces the argument that politics, not expertise, drove reform. No salience, no change.

Even members of the epistemic community recognised the decisive role of salience in the progress of international tax negotiations. As OECD tax director, Pascal Saint-Amans reflected on it many times throughout his term:

During the launch of the first BEPS project, he stated⁹⁴³:

⁹³⁹ Grinberg, I. (2015), ‘The new international tax diplomacy’, *The Georgetown Law Journal*, Vol.104, p1158.

⁹⁴⁰ Christensen, R. C. (2020), *Politics and Professionals: Transnational Struggles to Change International Taxation*, Copenhagen Business School (PhD), PhD Series No.5, p83.

⁹⁴¹ interview 13.

⁹⁴² ‘OECD takes aim at tech giants with plan to shake up global tax’, *Financial Times*, 9 October 2019.

⁹⁴³ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, Editions du Seuil, p126.

‘A series of leaks dominated media frontpages around the world in the spring 2013. Good timing, the OECD is ready’.

On the *Financial Times*, he called this new political pressure⁹⁴⁴:

‘A turning of the tide against avoidance by big business’.

Saint-Amans added in 2015⁹⁴⁵:

‘Without this new awareness from the highest political level, nothing would have changed’.

Saint-Amans reiterated the point during the European summit in Tallinn, in September 2017, referencing the French government’s proposal for a digital services tax⁹⁴⁶:

‘Countries (want to) move forward because of domestic political pressure’.

A German tax official also emphasised the power of politics, as opposed to the epistemic community, for inducing policy change⁹⁴⁷:

‘All of these issues have been discussed in the OECD’s tax committee for at least fifteen years. They never became more than printed paper. Not because they didn’t make sense but because there was no political backing. There was no tailwind’.

The OECD report in 2015 on the implementation of the BEPS 1 Actions also stressed the ‘strong impetus at the highest political level’, which was needed for the completion of these multilateral actions⁹⁴⁸.

These quotes highlight the way tax experts were aware of the opening of a policy window following the eruption of political salience. They knew they could rely on this renewed political momentum to put forward tax reforms. This gives credit to the research theory in supporting the claim that political salience was the primary engine behind policy change. The epistemic community could not induce change alone, and therefore cannot be seen as the primary explanatory factor for the passing of tax reforms.

⁹⁴⁴ ‘Taxation : Unsafe offshore’, *Financial Times*, 14 January 2013.

⁹⁴⁵ ‘Pascal Saint-Amans, le chasseur de paradis fiscaux de l’OCDE’, *Les Echos*, 7 October 2015.

⁹⁴⁶ ‘Bitter divisions undermine Europe’s digital tax plans’, *Politico*, 27 September 2017.

⁹⁴⁷ Hakelberg, L. (2020), *The Hypocritical Hegemon*, ‘The BEPS Project’, p110.

⁹⁴⁸ OECD (2015), *Developing a Multilateral Instrument to Modify Bilateral Tax Treaties*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing, p17.

According to Itai Grinberg, the former U.S. tax representative at the OECD, the entry of politics into the debate was crucial⁹⁴⁹:

‘High salience crises can destabilise even long-established systems of international governance. In international tax, the political pressures brought to bear by the financial crisis swept aside a well-established and highly technocratic system of governance (...) Specialists had identified most of the (BEPS) items before the G-20 entered the fray, but they required political backing to be elevated to a level where serious dialogue would take place among international tax technocrats ... The OECD could never have studied the possibility of a multilateral instrument, let alone obtained agreement to launch such a negotiation, without the political will associated with G20 convocation’.

Experts were working on tax distortions long before media coverage and the political class caught up. Indeed, the OECD and national tax administrations had been working on fixing possible distortions in international tax law on the allocation of taxing rights for several years⁹⁵⁰.

Saint-Amans later wrote⁹⁵¹:

‘Nothing new for the experts who have been working on the topic, but a shocking reality shown in plain sight for the mass public’.

Yet, no policy change was made before the eruption of political salience, adding further confidence in the explanatory power of the research theory, as opposed to the expert-based alternative explanation.

Additional evidence against the expert-based explanation comes from instances where tax experts failed to prevent reforms they opposed. Digital services taxes were politically motivated and advanced against expert preferences. They show the power of politics over the epistemic community.

While tax experts expressed their preferences for a harmonised tax framework coordinated at the international level, politicians targeted tech giants in line with the most salient challenges. Indeed, whereas tax experts within the epistemic community – such as those at the OECD and national treasuries – sought comprehensive reforms targeting all multinationals, politicians decided to offer a short-term

⁹⁴⁹ Grinberg, I. (2015), ‘The new international tax diplomacy’, *The Georgetown University Law Journal*, Vol.104, p1141, p1158, p1194.

⁹⁵⁰ Collier, R. (2023), *The Evolution of Thinking on Tax and the Digitalization of Business 1996-2018*, *World Tax Journal*, Vol.15, Issue 2.

⁹⁵¹ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l’histoire*, *Editions du Seuil*, p127.

solution addressing the tax practices of the most publicly visible firms, particularly large tech companies, which were facing the highest level of media scrutiny.

The OECD's 2018 interim report in March 2018 noted⁹⁵²:

'There is no consensus on the merits of, or need for, interim measures, and therefore this report does not make a recommendation for their introduction'.

In January 2019, when presenting a new international level solution, the OECD added⁹⁵³:

'Members of the Inclusive Framework are cognisant that taking on these challenges, together, and on a co-ordinated, multilateral basis could ease the growing tension within the international tax architecture with a number of countries having taken unilateral measures over recent years'.

Yet, France and the UK passed unilateral digital services taxes, against the first preference of tax experts at the OECD. Julien Jarrige, a close advisor to the OECD tax director, noted about the passing of digital services taxes⁹⁵⁴:

'It added more work for us as we had to look at contingency plans in case the US levied trade sanctions or left the negotiating table'.

In its interim report in March 2018, OECD officials also criticised the passing of digital services taxes, which came with a risk 'of economic distortions, double taxation, increased uncertainty and complexity, and associated compliance costs for business operating cross-border'⁹⁵⁵.

Scepticism about digital services taxes was also shared by tax experts in the private sector, who acknowledged the power of political salience. In February 2019, three tax experts critical of unilateral proposals warned against 'short-term measures driven by political expediency'⁹⁵⁶.

A senior Big Four tax adviser also added⁹⁵⁷:

⁹⁵² OECD (March 2018), *Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing, Paris, p212.

⁹⁵³ OECD (23 January 2019), *Addressing the Tax Challenges of the Digital Economy – Policy Note*, as approved by the Inclusive Framework, Paris: OECD Publishing, p3.

⁹⁵⁴ interview 23.

⁹⁵⁵ OECD (March 2018), *Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, Paris: OECD Publishing, p159.

⁹⁵⁶ 'OECD's digital economy tax reform: the race to consensus', *Tax Journal*, 8 February 2019.

⁹⁵⁷ interview 41.

‘It is populism , they think they will get money out of it when it is not going to raise any revenue, it is pure populism’.

In addition to unilateral taxation, experts were also sceptical about the Two-Pillar framework itself. Itai Grinberg, the US representative at the OECD during the Biden administration and a tax scholar firmly from the epistemic community, noted⁹⁵⁸:

‘The reliance on high levels of constructive ambiguity buried in many pages of technocratic language (were caused by) the enormous political pressures coming from the highest levels of government and the G20, (which) meant that some sort of outcome in the BEPS project was a political necessity ... (In a context of high salience, OECD tax experts) are much less free to reach conclusions separate and apart from external political pressures. The result is likely to be more reliance on creative ambiguity’.

In this new context of high salience and government involvement, Grinberg rejected the view that technocrats were able to develop cohesive and fair policies at the transnational level⁹⁵⁹:

‘The substantial changes wrought to that system are not well appreciated, but are fundamental ... public attention pressured technocrats to adopt policies their respective publics were believed to favor, in part because heightened political salience substantially increased the likelihood that elected officials would become directly involved in negotiations, rather than delegating most authority to technocrats (...) Logics of appropriateness developed among regulators overtime gave way to political and economic pressures internal to states in determining most regulators’ behavior, with unilateral regulatory decisions made without regard to any international consensus’.

Other scholars, such as Hugh Ault, expressed similar concerns⁹⁶⁰:

‘If country A says the world is flat and country B says the world is round, and after a long discussion, the OECD issues a report that says the world is an attractive shape and declares a consensus has been reached, it is difficult to call that real progress in establishing international norms’.

⁹⁵⁸ Grinberg, I. (2015), ‘The new international tax diplomacy’, *The Georgetown University Law Journal*, Vol.104, p1161-62.

⁹⁵⁹ *Idem*, p1141, p1157-1159.

⁹⁶⁰ Ault, H. (2009), Reflections on the Role of the OECD in Developing International Tax Norms, *Journal of International Tax Law*.

Tax academic Bendlinger (2024) also warned that the reforms could become ‘a compliance monster for both tax administrations and multinationals’⁹⁶¹. Overall, tax experts belonging to the epistemic community condemned outsiders – particularly civil society actors – ‘as aberrations to be reined in’⁹⁶².

Lastly, the findings show that the epistemic community was not a united front. Unity would enhance the epistemic community’s capability to be influential in policymaking: as the literature on business schism argues, the more internally coherent a group, the more influential it tends to be.

However, Christensen (2020)⁹⁶³ has highlighted divisions within the tax epistemic community. Using a ‘linked ecologies’ framework, he found internal competition and fragmentation among professionals, weakening their influence. ‘Ecological analyses’ look at the competition between professional groups within a mutual and interconnected social space⁹⁶⁴.

For instance, certain actors within the tax community struggled to make their voice heard in front of tax lawyers or civil servants. As one accountant noted in an OECD consultation⁹⁶⁵:

‘Everyone involved ... must understand that systems and data might not be already available to meet these new data reporting requirements’.

Yet, the final BEPS report published in 2015 omitted this concern on data availability.

Another practitioner cited in Christensen (2020)’s research stressed the practical caveats of the international tax reforms⁹⁶⁶:

‘Tax lawyers talking to each other in tax technical language. But they lack practical accounting knowledge, which is what we attempted to provide, but they didn’t listen to my concerns’.

The evidence above weakens further the credibility of the epistemic community claim, as even experts within this community were sometimes misaligned on which direction to take.

⁹⁶¹ ‘Global minimum tax on multinationals goes live to raise up to \$220bn’, *Financial Times*, 1 January 2024.

⁹⁶² Christensen, R. C. and Hearson, M. (2019), The new politics of global tax governance: taking stock a decade after the financial crisis, *Review of International Political Economy*, Vol.26, Issue 5, p1073.

⁹⁶³ Christensen, R. C. (2020), Politics and Professionals: Transnational Struggles to Change International Taxation, Copenhagen Business School (PhD), PhD Series No.5.

⁹⁶⁴ Abbott, A. D. (1988), *The System of professions: an essay on the division of expert labour*, London: University of Chicago Press; Abbott, A. D. (2005), *Linked Ecologies: States and Universities as Environments for Professions*, University of Chicago; Block-Lieb, S. (2017), *Global Lawmakers: International Organizations in the Crafting of World Markets*, New York: Cambridge University Press.

⁹⁶⁵ OECD (2014), *Public Comments Received: Discussion Draft on Transfer Pricing Documentation and CbC Reporting*, Paris: OECD Publishing, in Christensen, R. C. (2020), Politics and Professionals: Transnational Struggles to Change International Taxation, Copenhagen Business School (PhD), PhD Series No.5, p162.

⁹⁶⁶ Christensen, R. C. (2020), Politics and Professionals: Transnational Struggles to Change International Taxation, Copenhagen Business School (PhD), PhD Series No.5, p162.

Crucially, experts could not trigger policy change without salience, and often opposed reforms that were politically demanded. Indeed, they were aware of and working on fixing distortions much before the passing of tax reforms, which means that it was not their role or influence which triggered the passing of tax reforms. The tension between expert opinion and political salience was especially evident in the digital services taxes. Yet in the end, politics prevailed.

In conclusion, this research finds that the epistemic community preferences were secondary to the passing of tax reforms. The nature and timing of the domestic and international tax reforms supported by governments did not align with the preferences of tax experts within the epistemic community.

6. Conclusion of Chapter 4: International Tax Negotiations

6.1. Theoretical Takeaways on The Two-Pillar Agreement

This chapter has examined how governments negotiated the international tax agreement with the dual aim of responding to domestic political pressure and protecting their national economic interests. The research offers a hybrid theoretical framework that integrates agenda-setting theories with interest-based models from comparative political economy. It suggests that political salience – raised and sustained by political entrepreneurs and media coverage – served as the primary catalyst for reform, transforming corporate tax policy from a technocratic matter into a politically urgent issue. States sought policy solutions that could address this mounting domestic pressure for actions, while preserving their national interests in international negotiations. Accordingly, salience created political imperatives for tax reforms, whereas economic interests limited the range of policy options available to policymakers.

First, this analysis demonstrates that the French and British governments engaged in international negotiations following mounting political pressure regarding existing tax rules. Governments demonstrated a readiness to push tax reforms forward to respond to domestic political pressure. This chapter therefore bolsters confidence in the central role of political salience as the engine that provided momentum to the negotiations. As media interest in multinational taxation – particularly of Big Tech – increased, so did the political imperative for governments to deliver a coordinated international solution. In this sense, salience created the policy window through which an international consensus became both necessary and possible.

However, in line with the interest-based perspective, the research also clearly shows that national economic interests set the outer boundaries of what governments were willing to negotiate. Tax policy is embedded within a country's broader growth strategy, and during transnational, multistakeholder negotiations, states consistently defended their key industries.

As a result, because of the inherently distributive nature of global tax reform, the resulting agreement was a compromise negotiated with great difficulty among participating countries. As political scientist Jason Sharman noted in 2006⁹⁶⁷:

‘Tax is an area where states are most in need of international cooperation but least able to achieve it’.

Governments agreed on a Two-Pillar solution as it met the expectations of several countries around the negotiating table. While Pillar One was – and still is – less developed than Pillar Two, governments signed a political agreement in October 2021 that paved the way for the implementation of both Pillars.

As *Financial Times* journalist Rana Foroohar summarised⁹⁶⁸:

‘Countries such as China and Germany are inclined to buy into the U.S. philosophy of a minimum corporate tax, since they have large innovators (which include not just tech firms but carmakers) to protect. Other countries, such as the UK and France, want to locate value in data and users’.

Pillar One was driven largely by the rise of political salience in European countries and by the lobbying efforts of the U.S. tech companies against unilateral digital services taxes. France and the UK, aiming to shield their non-tech national industries, pushed for the ring-fencing of the digital economy. Pillar One was key in responding to political salience regarding the taxation of tech multinationals. Countries agreed to phase out their digital services taxes – their immediate response to the eruption of political salience – once the global agreement came into force. In other words, digital services taxes functioned as a short-term shield – appeasing political pressure until the longer-term solution, the multilateral agreement, could accommodate business preferences for a harmonised regime.

Pillar Two, by contrast, was more clearly driven by national economic interests. The U.S. aimed to align its recent domestic tax reform with international standards, while several high-tax European

⁹⁶⁷ Sharman, J. C. (2006), *Havens in a Storm: The Struggle for Global Tax Regulation* (1st edition), Ithaca: Council University Press; in Christensen, R. C. (2020), *Politics and Professionals: Transnational Struggles to Change International Taxation*, Copenhagen Business School (PhD), PhD Series No.5, p28.

⁹⁶⁸ ‘UK follows in the footsteps of Donald Trump on digital tax’, *Financial Times*, 29 October 2018.

countries – including France and the United Kingdom – supported the introduction of a global minimum tax to limit harmful competition, while still preserving targeted tax credits for strategic sectors.

In short, countries articulated clear red lines to protect their critical sectors, and the final deal emerged from a process of interstate bargaining that fits within the comparative political economy tradition. The chapter has shown that countries secured protection for their national economic interests by limiting the impact of Pillar One to the largest companies. Similarly, for Pillar Two, countries secured exclusions for their critical sectors in order to put a floor on tax competition without removing tax incentives altogether.

Finally, in line with the liberal intergovernmental view, the country with the highest bargaining power had a pivotal role in the negotiations. The U.S. acted as the major pivotal actor in the pace and direction of the international negotiations. On Pillar One, it was the U.S. which asked to broaden the scope of the negotiations beyond Big Tech. Due to the large number of multinationals in scope being U.S.-based, it is also necessary for the U.S. to be on board, or Pillar One would not apply to a significant number of multinationals. On Pillar Two, the research has shown that the U.S. was able to bend the rules of the international agreement – aligning its own GILTI mechanism with Pillar Two rather than fully implementing the latter.

6.2. Looking Ahead – The Implementation of BEPS 2.0

In October 2021, the two-pillar international agreement was signed by more than 147 jurisdictions, representing 90% of the world's economy⁹⁶⁹. According to the OECD estimates, the global minimum tax (Pillar 2) is expected to increase corporate tax revenues by up to €220 billion – equivalent to 9% of current global revenues – while Pillar 1 will reallocate approximately €150 billions in profits to market jurisdictions⁹⁷⁰.

Since the political agreement on BEPS 2.0 was reached in October 2021, the OECD has released a series of public consultation documents to guide the implementation of both Pillars.

Pillar One

⁹⁶⁹ Saint-Amans, P. (2023), *Paradis fiscaux, Comment on a changé le cours de l'histoire*, Editions du Seuil, p299.

⁹⁷⁰ *Idem*, p298.

Throughout 2022, the OECD organised public consultations covering key aspects of the profit allocation rules under Amount A, as well as countries' commitments to withdraw unilateral digital services taxes once Pillar One comes into effect.

In July 2023, the OECD announced that a draft of the implementation framework for Amount A – referred to as the Multilateral Convention (MLC) – had been developed. The purpose of the Multilateral Convention for Amount A has been to avoid the need for renegotiating bilateral tax treaties individually – it supersedes pre-existing bilateral treaties for signatories. Critically, the Convention only requires ratification by at least 30 jurisdictions, collectively representing at least 60% of the ultimate parent entities of multinationals expected to fall within the scope of Amount A. Once these thresholds are met, the ratifying countries will jointly determine the effective date for the MLC's entry into force. It means that while U.S. participation remains critical, a 'critical mass' of signatories can exert pressure on the U.S. and other reticent members to eventually join the agreement.

The OECD expressed its goal for the MLC to be signed by the end of 2023, with implementation planned for 2025. Nearly a year later, on the 30th of May 2024, the OECD issued a statement confirming that negotiations were nearing completion on a final Pillar One package. However, in June 2024, a member state objected to adopting Amount A without a parallel agreement on Amount B, the second component of Pillar One⁹⁷¹.

In January 2025, the OECD reported that progress was underway on finalising Amount B, stating that discussions were focusing on 'procedural questions and/or the contours of tests and their precise drafting'⁹⁷². Nonetheless, at the time of writing this research, negotiations surrounding the implementation of Pillar One remain ongoing.

This highlights a critical insight: the political agreement signed in October 2021 represented only a further step in the negotiations, rather than their conclusion. As discussed in the Theory Chapter⁹⁷³, this constitutes an important limitation of the research, which treats the Two-Pillar Agreement as a formal standpoint while recognising that its provisions continue to evolve. Yet, as discussed in the Theory Chapter, the challenges specific to Pillar One implementation do not alter the dissertation's core conclusions regarding the role of political salience – and of political intermediaries and legacy media – in propelling the issue into the political arena and thereby advancing policy debates at both the national and international levels.

⁹⁷¹ 'Pillar One Update from Co-chairs of Inclusive Framework on BEPS', *EY Global*, 15 January 2025.

⁹⁷² OECD, *Pillar One Update from the Co-Chairs of the Inclusive Framework on BEPS*, Paris: OECD Publishing., 13 January 2025.

⁹⁷³ see Theory Chapter, p20.

Digital Services Tax

In parallel to the ongoing negotiations for Pillar One, digital services taxes in both France and the UK have remained in place since their introduction, and tensions between these taxes and the threat of U.S. trade sanctions persist. Even today, both instruments function as a modern-day Damocles' sword, hanging over international tax negotiations should they stall.

Following her 2025 Spring Statement, British Chancellor Rachel Reeves reaffirmed the UK government's commitment to the DST, which is expected to raise £800 million for the British tax authorities. Yet, the enduring threat of U.S. retaliatory tariffs continues to act as a significant counterweight. In March 2025, Chancellor Reeves offered a cautious response to a journalist's question⁹⁷⁴:

'(It is) the right thing that companies who operate in the UK pay their taxes in the UK, and the US government and tech companies understand as well, but we are having discussions with the US at the moment. I want to preserve free and open trade'.

In France, the DST also remains in force, generating approximately €700 million annually – roughly 1% of the country's total corporate tax revenue⁹⁷⁵.

In retaliation, the new Trump administration has revived threats of punitive trade measures. In a February 2025 memo, President Trump stated⁹⁷⁶:

'American businesses will no longer prop up failed foreign economies through extortive fines and taxes'.

By May 2025, members of the U.S. Congress, supported by President Trump, put forward a proposal for a 'revenge tax', targeting firms, investors and individuals from jurisdictions that continue to impose DSTs⁹⁷⁷.

Pillar Two

⁹⁷⁴ 'UK mulls big tech tax changes to avoid US tariffs', *BBC*, 23 March 2025.

⁹⁷⁵ 'En Europe, ces taxes Gafa qui agacent Trump', *Les Echos*, 30 June 2025.

⁹⁷⁶ The White House, Presidential Actions, (21 February 2025), [Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties](#).

⁹⁷⁷ 'Congress gets into the global tech tax battle', *Politico*, 16 June 2025.

Regarding Pillar Two, following the political agreement in October 2021, the Global Anti-Base Erosion (GloBE) Model Rules were published on December 20th, 2021⁹⁷⁸. These rules finalised the technical framework of Pillar Two and provided a model for implementing a global minimum tax, which countries can choose to incorporate into their domestic legal systems.

As Pillar Two is implemented through domestic legislation, it does not rely on the signature of a multilateral treaty or convention prior to its implementation – in other words, it does not rely on the approval of all countries before being put into application, thereby reducing the asymmetry in bargaining power during negotiations. The EU released its Pillar Two Directive (2022/2523) in December 2022⁹⁷⁹, which member-states shall transpose into domestic law by 31 December 2023. France transposed it into the French Tax Code with its Finance Act for 2024 on 29 December 2023⁹⁸⁰. The Pillar Two rules are also included within the UK's Finance Act 2023 on 11 July 2023, which came into effect for accounting periods beginning on or after 31 December 2023⁹⁸¹.

The OECD has continued to offer support on the implementation of Pillar Two. In March 2022, a Commentary alongside illustrative examples was published by the OECD. In December 2022, three guidance papers on implementation were released. Further progress reports and Commentaries were published throughout 2023 and 2024 offering updates on the most refined version of the GloBE Model Rules.

On June 17th 2024, the OECD published its fourth set of Administrative Guidance on the GloBE rules of Pillar Two, intending to clarify their operations and address concerns raised by businesses and tax authorities.

More recently, in October 2024, the EU introduced its Directive on Administrative Cooperation in Taxation (DAC9)⁹⁸², which aimed to streamline Pillar Two filing obligations across the EU, continuing to work on improving the working of Pillar Two.

⁹⁷⁸ OECD (20 December 2021), Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two), OECD/G20 Base Erosion and Profit Shifting Project, *Paris: OECD Publishing*.

⁹⁷⁹ Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union, *Official Journal of the European Union*, 14 December 2022.

⁹⁸⁰ Loi n°2023-1322 du 29 décembre 2023 de finances pour 2024, Dossier Législatif, 30 December 2023.

⁹⁸¹ Finance (No.2) Act 2023, UK Public General Acts, 2023, c.30.

⁹⁸² European Commission (28 October 2024), Administrative Cooperation in Taxation, *Press Release*.

CHAPTER 5 : CONCLUDING REMARKS

Saliency, Interests, and the Politics of International Tax Reform

1. Research Summary

This dissertation set out to investigate the dynamics behind the French and British governments' decision to pass new corporation tax reforms targeting multinational tech firms, at the domestic and international levels. Situated within a broader concern for the democratic responsiveness of public policy in advanced economies, the research asked:

What explains the passing of new corporation tax reforms targeting tech multinationals in France and the United Kingdom at multiple levels of decision-making?

To address this, the study examined a range of tax policy developments. It looks at France's 'Google Tax' and Digital Services Tax, the UK's Diverted Profits Tax and Digital Services Tax, and the EU's proposed Digital Services Tax, alongside the international negotiations led by the OECD under the BEPS 1.0 and BEPS 2.0 frameworks.

Through qualitative process-tracing grounded in 56 elite interviews, documentary analysis and media coverage, the dissertation identified a recurring pattern across domestic and international reform episodes: political saliency acted as the engine of reform, while national economic interests functioned as a constraint. In moments of high visibility, states were spurred to act by political imperatives, often through unilateral or symbolic policy gestures. But as policy moved forward, economic considerations narrowed the menu of acceptable options.

This hybrid explanatory model, integrating political saliency with national economic interests, contributes to our understanding of state behaviour in global economic governance. It suggests that even in technically complex and globally entangled areas such as international taxation, political imperatives remain a powerful – if conditional – force.

Critically, the research argues that political saliency was constructed through media exposure and the mobilisation of key political figures with public platforms, which created the political capital necessary for governments to act. This urgency increased pressure on governments to respond quickly, preferring the domestic level over a longer-term international policy process. In this way, the research focuses on

the media-politician-policy link. It shows that political intermediaries can alter policy trajectories by reshaping priorities and broadening participation.

1.1. Political Saliency as the Engine of Reform

A key finding is that political saliency – the degree to which an issue attracts the sustained attention of mass publics and the media – served as the catalyst for reform. The surge in political saliency over tax avoidance by large tech firms transformed an esoteric issue into a politically urgent one in the mid-2010s.

This shift in issue saliency was not spontaneous: it was constructed and amplified through investigative journalism, parliamentary inquiries, NGOs mobilisation and activist networks. Specifically, in both France and the UK, intense media coverage and actions by political figures with a public platform were essential in pushing corporate tax reform onto political agendas. These forces turned what was an opaque domain of international tax rules into a matter of national indignation and electoral relevance. Corporate tax avoidance became a symbol of inequality and unfairness, which demanded urgent national action. This is a critical contribution of the research in highlighting the central role of legacy media and political entrepreneurs in sustaining and channelling political saliency throughout the policy negotiations.

Saliency, then, acted as a mobilising force. It increased the political cost of inaction, pushed bureaucracies to engage with unfamiliar political terrain, and expanded the range of politically viable policy tools. In this context, saliency legitimised contentious proposals like unilateral turnover-based taxes, such as digital services taxes, which had limited fiscal impact but significant symbolic weight – they demonstrated governmental responsiveness to domestic political pressures.

Thus, even in an area as complex and globally entangled as corporate taxation, democratic pressure mattered. These findings reframe tax reform not merely as an esoteric, elite-driven process, but one responsive to wider political dynamics and media scrutiny.

1.2. National Economic Interests: Structuring Constraints

While saliency could generate momentum, the research shows that it did not unilaterally dictate policy outcomes. The content, scope, and sustainability of reforms were shaped by governments' objectives

to protect national economic interests – especially critical sectors with strategic weight. While salience pushed governments to act, economic considerations conditioned how they acted.

Governments remained attentive to the economic costs of reform – particularly the cost of unilateral taxation for key domestic industries, foreign direct investment, and broader economic competitiveness. As critical sectors mostly sat outside the tech sector, unilateral digital services taxes targeting Big Tech conveniently excluded French and British national champions. In both France and the UK, domestic and international policy proposals were calibrated to minimise harm for national champions, or those of key European partners (e.g. Germany’s car industries or the Irish low-tax growth model). This reflects a key insight from comparative political economy: even under democratic pressure, governments remain sensitive to the structural and instrumental powers of dominant industries.

In parallel, the desire to preserve the long-term legitimacy of the tax system – and avoid a patchwork of conflicting national rules, particularly detrimental to multinationals – motivated France and the UK to renew their commitment to internationally coordinated tax reforms. Whereas unilateral taxes could provide a short-term response to political imperatives, internationally coordinated taxation offered a longer-term solution.

The interaction between salience and economic interests thus formed a two-stage dynamic: political urgency opened the policy window, while national interests bounded the set of viable options. This tension led to a dual-track reform strategy – domestic, politically salient measures for immediate impact, and international cooperation for longer-term resolution, designed to rebalance taxing rights without undermining the stability of the international tax order.

1.3. Revisiting Liberal Intergovernmentalism

Moreover, these findings offer a pointed critique of liberal intergovernmentalism (LI), which posits that state preferences are rooted in domestic economic interests. While the LI perspective offers a viable explanation for governments’ power dynamics at the international level – such as the U.S.’s pivotal role in the direction of the negotiations – it is incomplete. Contrary to the LI approach, this research shows that salience disrupted business-as-usual and altered state preferences, sometimes against the interests of business leaders.

Indeed, this research extends LI by showing that democratic accountability, not just economic efficiency, shaped government preferences. In both France and the UK, political salience reshaped national preferences in ways that cannot be reduced to economic sectoral lobbying. Governments

pursued reform in the face of opposition from powerful business groups and diplomatic partners. They embraced measures that risked retaliation, not because they promised substantial economic gain, but because they were politically necessary.

This suggests that the LI theory is incomplete. Contrary to the LI claim on preference formation – according to which governments derive their preferences primarily from the interests of dominant national industries – states did not negotiate as passive conduits for economic sectors. Rather, they acted as political actors balancing the competing demands of domestic politics and markets. International negotiations were thus not only arenas of economic coordination, but also stages where governments performed responsiveness, defended sovereignty, and managed expectations.

Nonetheless, the findings reinforce the second element of the LI claim, namely that states with greater economic weight shape the direction of international negotiations. Indeed, while smaller states secured certain concessions, structural asymmetries in bargaining power proved decisive. The U.S. was a pivotal actor in the BEPS 2.0 negotiations, with the capacity either to accelerate or obstruct progress. Although other governments pressed for reform in response to visible political imperatives, key initiatives were rendered ineffective without U.S. support. At the time of writing, the future of Pillar One remains uncertain, as its implementation continues to hinge largely on U.S. resistance. Pillar Two, meanwhile, has not been implemented in its agreed form by the U.S., which has instead maintained its own ‘global minimum tax’ through the Gilti system.

An important caveat for the research’s findings on power dynamics at the international level is that it focuses on the signature of the international agreement rather than its implementation. Accordingly, Pillar One is classified as a ‘pass’ on the basis of its formal adoption, even though its prospects for implementation by signatories appear remote. The evidence suggests that a pivotal actor in the negotiations, the U.S., signed with no intention of implementing it. This poses a challenge for the research as it undermines the long-term influence of the policy outcome.

Yet, the difficulties specific to Pillar One’s implementation do not alter the dissertation’s core conclusions regarding the role of political salience – and of political intermediaries and legacy media – in propelling the issue into the political arena and thereby advancing policy debates at both the national and international levels. Nor do these difficulties affect the broader conclusions on the role of economic interests in shaping governments’ preference formation and negotiating strategies at the international level: until Pillar One is implemented, digital services taxes remain in force, serving as a counterweight to U.S. resistance to international reform and immediate response to political imperatives. In 2024, France even increased the rate of its digital services tax to 5%.

1.4. Limited Explanatory Power for Alternative Theories

Finally, the research finds limited support for competing theories, which include partisan-based and technocratic explanations. Indeed, the findings show that in both France and the UK, left- and right-leaning governments responded in similar ways to political salience, suggesting that party ideology was not decisive.

Similarly, while tax officials and international experts played an important supportive role, they lacked the political mandate to drive reforms independently. Their influence was necessary due to their technical expertise in drafting tax proposals, but not sufficient. Only with political salience did policy ideas become politically actionable.

Ultimately, it was the interplay between political imperatives and economic calculation that proved decisive for the passing of tax reforms. This reinforces the argument that tax reforms were politically contingent, rather than structurally inevitable. Technocratic expertise may shape solutions, but democratic politics set the agenda.

2. Contributions

2.1. Theoretical Implications

This dissertation contributes to academic debates at the intersection of agenda-setting theory and comparative political economy, offering a dual-framework model where political salience initiates reform, while national economic interests constrain its trajectory.

This framework can extend beyond taxation to other policy domains characterised by complexity and rising visibility. In policy areas such as climate change, digital governance, wealth redistribution, global health and beyond, we see similar dynamics: surges in media coverage and political visibility compel national governments to act, even when the best solutions are likely to be complex, economically costly and internationally coordinated.

Future research might explore several important questions. Amongst them, this study recommends the pursuit of two core research areas: First, as legacy media play such a critical role in the eruption of political salience, further research is warranted to analyse the extent to which they act as agenda setters

in their own right, amplifiers of political entrepreneurs, or vehicles for public opinion. This would offer a more comprehensive theory of the media and its role in the passing of new policies. Second, further research should assess the effect of saliency on bureaucratic adaptation in the later stages of policy implementation – how do technocratic institutions respond to political saliency during the full life cycle of a policy, in particular one emerging from an international agreement?

Such inquiries would deepen our understanding of how political saliency interacts with entrenched institutional structures and economic elites to produce policy change – or stasis.

2.2. Policy Implications

In addition, from these findings flow several lessons for policymakers operating in contested domains of international economic governance. This research puts forward three practical recommendations to adapt government to salient and transnational policy environments.

First, governments should anticipate saliency early and institutionalise responsiveness to saliency. They should invest in tools that track rising political attention – even in arcane domains – so they are not caught unprepared when esoteric policy domains may erupt into the public sphere. This could include media sentiment analysis, stakeholder forums, and early-warning systems within ministries.

Second, policy officials should ensure to build coalitions beyond business. While business consultation remains important to understand and protect national economic interests, broader engagement with civil society and the media can increase the legitimacy of a reform and make it more politically sustainable. Critical sectors may need shielding from reforms, but not at the expense of public trust. Targeted exemptions, phased reforms, and sectoral impact assessments can help balance economic sustainability with public accountability.

Third, technical expertise must be balanced with democratic input. While technocratic institutions should be strengthened in their capacity to provide independent expertise, they should not shield themselves from becoming more transparent and responsive to political accountability. Instead, bureaucrats must learn to work with politics – by communicating policy trade-offs better, engaging with public values, and justifying their decisions in ways that resonate beyond expert circles. International institutions like the OECD are showing signs of this shift: the expansion of the OECD/G20 BEPS process into an Inclusive Framework involving over 140 jurisdictions, along with a growing number of public-facing initiatives – including reports, podcasts, and interviews led by senior OECD officials – reflects a meaningful move toward greater openness and inclusivity. This evolution merits recognition.

3. Final Reflections

This dissertation has shown that even in a field as complex and globally interconnected as international corporate taxation, democratic politics retains transformative potential. Political saliency can upend settled institutional logics and elite consensus, create new political incentives, and redefine what is seen as possible.

But saliency does not operate in isolation. It interacts with entrenched economic interests and strategic calculation by policy officials. The challenge is to harness saliency without succumbing to populism: to honour political pressures while preserving institutional integrity.

By advancing a framework that treats political saliency and economic constraint as co-constitutive rather than oppositional, this research provides a new lens through which to understand policy change in a global era. This dissertation reclaims the political dimension of global economic governance. It argues that understanding how and why tax reforms happen requires us to look not only at what interests are at play, but at the extent to which these reforms were political motivated.

Within this new contested space – where reforms must satisfy both international economic logic and domestic political accountability – it is important to caution against the quality of policies shaped primarily by saliency-driven politics. Measures adopted under intense political pressure may yield suboptimal long-term outcomes and a symbolic response with limited structural effect. Yet, such measures can play a crucial role in sustaining public trust during protracted multilateral negotiations. The balance between democratic responsiveness and expert-driven preferences is difficult to negotiate and ultimately a normative concern, but one that warrants emphasis.

In this light, the politics of tax is not just about revenue or regulation. It is about who gets to decide, whose voices are heard, and what kind of global economic order we are willing to legitimise. This research offers both theoretical advancement and policy relevance – for scholars, for governments, and for any actor seeking to build fairer and efficient economic systems in the 21st century. It calls for further empirical, theoretical, and normative works on how we address complex issues in democracies marked by deep structural constraints and rising political attention.

APPENDIX

Table 1: Seven Tax Reforms Under Study

	2015 DPT	2015 BEPS	2016 DPT	2018 DST	2019 DST	2020 DST	2021 BEPS
Interim	x		x	x	x	x	
Final		x					x
Outcome	pass	fail	fail	fail	pass	pass	pass
Level	UK	International	France	European	France	UK	International

Table 2: Illustrative Evidence Classified by Process-Tracing Test Type

Example	Statement / Evidence	Test Type	What the Evidence Does	What It Does Not Do
Electoral Risk	‘If we did not act, we risked losing the elections’	Smoking-Gun (Unnecessary but Sufficient)	Validates the claim that political salience played a critical role in driving policy action.	Does not eliminate the possibility that interest-based explanations also influenced the outcome.
Economic Cost	‘We could not afford to hit the economy for a couple of hundreds more in tax revenue’	Smoking-Gun (Unnecessary, but Sufficient)	Strong support for the argument that economic retaliation (e.g., US trade threats) was taken seriously by decision-makers.	Does not confirm whether political salience played a decisive role in that moment.
Political Entrepreneurship	‘The hearings run by Margaret Hodge elevated the issue to a higher political echelon’.	Hoop Test (Necessary, but Insufficient)	Increases confidence in the claim that specific political actors helped raise salience and pressure for action.	Does not prove that, without these entrepreneurs, the same outcome wouldn’t have occurred.

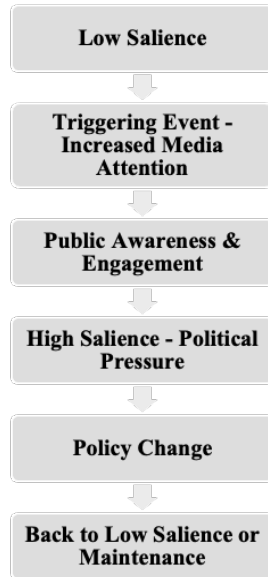
Table 3.a.: Summary of Causal Chains (Research Theory)

Explanation	Hypothesis	Mechanism	Expected Evidence
Political Salience	Governments are more likely to pursue unilateral tax reform when political salience around an issue is high.	Salient issues generate political pressure, media attention, and electoral incentives that compel governments to act despite institutional or diplomatic constraints.	Peaks in media coverage, NGO activity, parliamentary debates, and statements by officials correlating with policy shifts.
National Economic Interests	Governments' positions on tax reform are shaped by structural and instrumental power of key national sectors.	Governments defer to core domestic industries for economic stability, fearing job losses, capital flight, or reduced investment.	Alignment between reform positions and interests of embedded industries; reluctance to target sectors with structural clout.

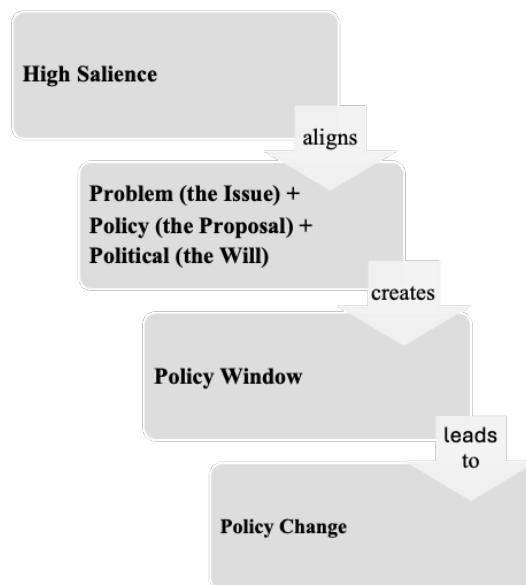
Table 3.b.: Summary of Alternative Causal Chains

Explanation	Hypothesis	Mechanism	Expected Evidence
Partisanship <i>(Alternative)</i>	Left-leaning governments are more likely to support redistributive tax reforms, while right-leaning ones resist.	Ideological orientation influences the framing of policy goals (equity vs. competitiveness), shaping reform ambition and coalition support.	Correlation between government ideology and reform stance; partisan framing in debates and policy documents.
Epistemic Community <i>(Alternative)</i>	Policy outcomes reflect the preferences of expert networks that define norms of appropriate technical solutions.	Policymakers rely on technocratic advice due to complexity and uncertainty, especially through international organisations or advisory bodies.	Evidence of close ties between experts and policymakers; citations of expert reports; shared discourse and terminology.

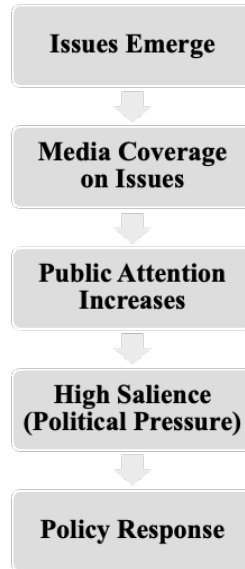
Visual 1: The Effect of Political Salience on Policy Change



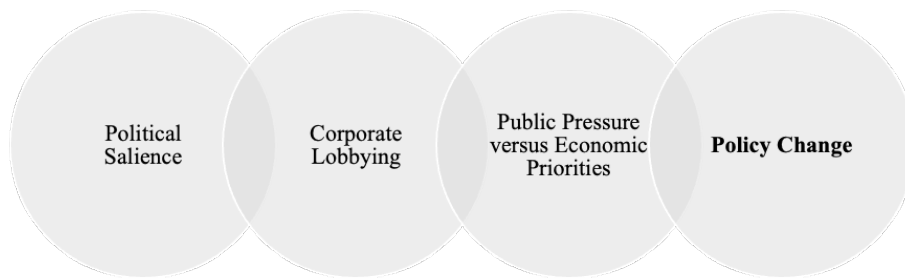
Visual 2: Theoretical Model of Issue Attention and Political Salience



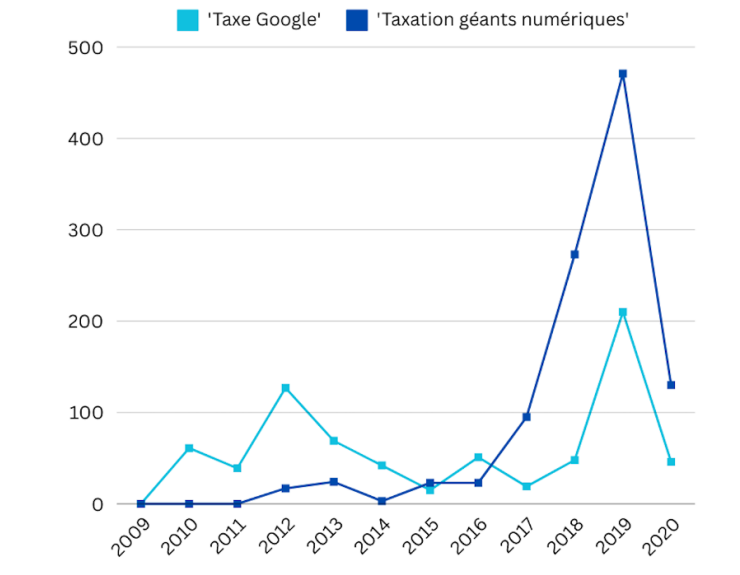
Visual 3: A Media Saliency Infographic



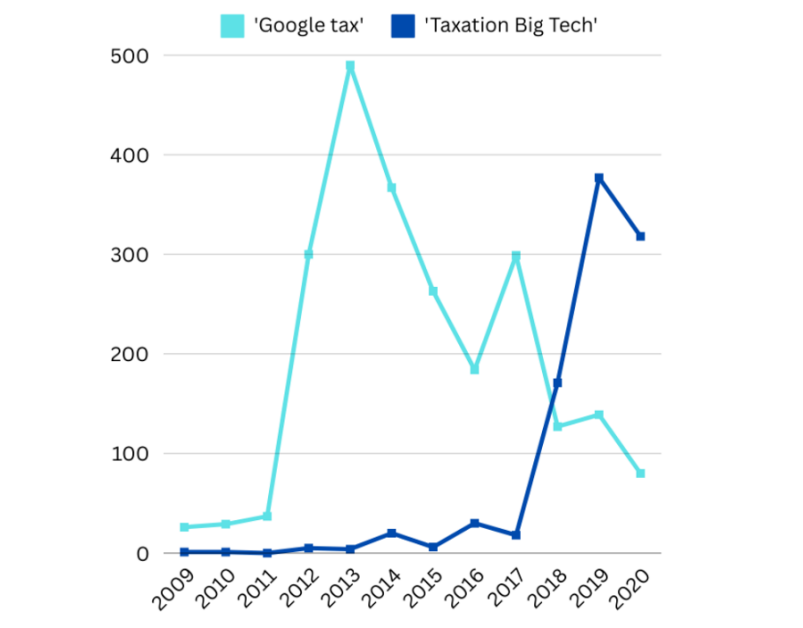
Visual 4: Interactive Dynamics of Business Lobbying and Political Saliency



Graph 1: Shifting Frames in Media Coverage of Big Tech Tax Policy in France (2009-2020)



Graph 2: Shifting Frames in Media Coverage of Big Tech Tax Policy in the UK (2009-2020)



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Primary Sources: List of Interviewees

The positions of interviewees is the one they held at the time of meeting or before meeting, depending what is the most relevant position in the case of this interview. For instance, a person who was a Minister at the time of passing of a tax reform but not when the interview took place will be referred to by the previous position they held during the passing of the reform. A person who was in a relevant position at the time of the interview, giving them valuable insights on what had happened, would be referred to by their position at the time of the interview. No future position post-interview is mentioned.

Academic Circles

1. Richard Collier, Associate Fellow Centre for Business Taxation, Said Business School, Oxford University, ex Partner PwC, 4th October 2022.
2. Frank Barry, Professor of International Business, Trinity College Dublin Business School, 24th March 2022.

Business Representatives

3. Bill Dodwell, ex Tax Director Office of Tax Simplification, ex Head of Tax Policy Deloitte, 4th October 2022.
4. Julian Feiner, Tax Director Clifford Chance, 30th September 2022.
5. X, Special Advisor Tax Policy and Transfer Pricing PwC – 6th September 2022.
6. Johan Barros, Director of Policy Accountancy Europe, 20th October 2022.
7. Julien Pellefigue, Tax Partner at Deloitte, 22nd November 2022.
8. Daniel Gutmann, Tax Partner at Francis Lefebvre, 18th October 2022.
9. Vincent Renoux, Tax Partner at Stehlin & Associés, 26th October 2022.
10. X, Senior Executive at Google, 4th November 2022.
11. X, Public Policy Manager at Google, 19th December 2023.
12. Anton Maria Battesti, Public Policy Manager at Meta, 29th November 2022.
13. Feargal O'Rourke, Managing Partner PwC, 14th April 2022.
14. Shay Garvey, Founding Partner Frontine Ventures, 16th March 2022.
15. X, Senior executive at U.S. MNE and Tax Lawyer, 28th October 2022.
16. Dan Neidle, Head of UK Tax Clifford Chance, 1st October 2022.

European Union

17. Johan Bernardo Langerock, Econ and FISC Committees, European Parliament, 7th October 2022.
18. Benjamin Angel, Director for Tax Policy at the European Commission's Taxation and Customs Union department (DG TAXUD), 11th October 2022.
19. X, German delegation in Council of the EU, 24th October 2022.

20. Bastien Lignereux, Tax representative French delegation in Council of the EU– 25th October 2022.
21. David Boulil, Head of the Unit at the European Commission’s Taxation and Customs Union department (DG TAXUD), 1st December 2022.
22. Pierre Moscovici, European Commissioner for Tax and Customs, 21st November 2022.

France

23. Eleonore Peyrat, Policy Advisor to the Finance Minister, 25th January 2023.
24. Emmanuel Moulin, Chief of Staff to the Finance Minister, 4th December 2022.
25. Christian Eckert, former Budget Minister, 28th November 2022.
26. Eric Woerth, ex Finance Minister, 22nd November 2022.
27. Benedicte Peyrol, ex rapporteur National Assembly.

Ireland

28. Ciaran Casey, Historian, 13th April 2022.
29. Ed Brophy, ex Chief Political and Policy Advisor to the Finance Minister, 1st April 2022.
30. John Fitzgerald, Economist, ex Commission of the Central Bank of Ireland, 1st April 2022.
31. Frank Clarke, ex Chief Justice of Ireland, 14th March 2022.
32. Anne Chambers, Historian, 23rd March 2022.

Media Representatives

33. Chris Giles, Economics Commentator at Financial Times, 17th June 2022.
34. Mary McDougall, Tax Correspondent at Financial Times, 28th September 2022.
35. Elodie Lamer, Journalist at Tax Analysts, 11th October 2022.
36. X, Politico Brussels, 12th October 2022.
37. X, Politico Paris, 22nd October 2022.
38. Chris Condon, Senior Economics Reporter at Bloomberg Washington D.C., 3rd October 2022.

NGOs

39. Richard Murphy, Co-founder Tax Justice Network, 6th October 2022.
40. Alex Cobham, Director of Tax Justice Network, 16th June 2022.
41. Quentin Parrinello, Spokesperson at Oxfam.
42. Ryan Gurule, Policy Director at Fact Coalition, 10th November 2022.
43. Ian Gary, Executive Director at Fact Coalition, 10th November 2022.

OECD

44. Pascal Saint Amans – Director of the OECD Tax Unit, 17th January 2023.
45. Julien Jarrige, Advisor to the OECD Tax Unit, 18th October 2022.

46. Achim Pross, Deputy Director of the OECD Tax Unit, 30th January 2023.
47. X, OECD, July 2022.

United Kingdom Institutions

48. Edward Troup, Permanent Secretary of HMRC, 6th October 2022.
49. X, HMRC, 7th October 2022.
50. X, HMRC, 7th October 2022.
51. Nick Mackpherson, Permanent Secretary of HM Treasury, 29th September 2022.
52. X, HM Treasury, 17th October 2022.
53. David Gauke, Financial Secretary to the Treasury, 20th June 2022.
54. Karim Palant, ex Policy Advisor to the Shadow Chancellor, 10th November 2022.
55. James Chapman, Communications Director at HM Treasury, 20th April 2023.

United States Institutions

56. Damon Silvers, Policy Advisor for the AFL-CIO and the Biden administration, 26th October 2022.