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Taxation of Multinationals: Design and Quantification

Sébastien Laffitte,⁽¹⁾ Julien Martin,⁽²⁾ Mathieu Parenti,⁽³⁾
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Minimum corporate taxation is the second Pillar of the reforms of international corporate taxation. It is a simple and powerful tool that could curb profit shifting towards low or no tax jurisdictions. Its implementation would allow France to tax the profits that French headquarters have shifted to tax havens, but also to reduce the erosion of its tax base. We estimate the French corporate income tax (CIT) revenues would increase by almost 6 billion euros in the short run after the implementation of an effective minimum tax rate of 15% and by 8 billion euros at a rate of 21%. CIT gains may vary substantially depending on the scope of the tax base, the possibility of headquarters' inversion, and whether it includes domestic corporations or not. CIT gains are relatively higher in France than in Germany or the United States. The expected gains are substantially larger than those to be expected from the implementation of the first Pillar of the reform in its version proposed by the US in April 2021, which opens up rights to tax the 100 largest corporations in the world according to their sales' destination. According to our estimates, Pillar One would bring in about 900 million euros for France.

Introduction

The G7 Finance Ministers, meeting in London on the 4th and 5th of June 2021, agreed on the introduction of a minimum corporate tax of at least 15% applied on a country-by-country basis. The purpose of this note is to present the amounts of profit shifted by French and other corporations under the current system and the potential gains from the introduction of a minimum effective tax rate.

We consider the implementation of a minimum effective tax rate of either 15% or 21%. We then discuss the details of its implementation and compare Pillar Two to other reforms, such as a digital service tax or a reallocation of taxing rights as in the case of Pillar One.

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(1) ENS Paris-Saclay and Sciences Po; (2) Université du Québec à Montréal and CEPR; (3) ULB, ECARES and CEPR; (4) ULB and ECARES; (5) Université Paris-Dauphine – PSL, CEPII, CESifo and CEPR.

1. Minimum effective taxation: The principle

The reform of international corporate taxation is taking place in a context of a significant increase in profit shifting by multinational corporations to tax havens, which is combined with strong tax competition between jurisdictions to attract investment (Fuest, Parenti, Toubal, 2019).

A French multinational corporation may benefit from tax advantages, legal and tax loopholes and very low or zero tax rates from tax havens to avoid the payment of corporate taxes in France. A reform based on minimum taxation has the advantage of proposing a simple taxation principle that would reduce tax competition between countries and corporate tax avoidance.

Under current proposals, minimum taxation gives the headquarters' countries the right to tax the foreign profits of corporations that would have been taxed at a rate lower than the minimum tax rate. The reform applies to corporations with a turnover of more than 750 million euros. A French group with a subsidiary paying only a 2% effective corporate tax rate in a jurisdiction would be liable to France for 13% if the minimum rate were set at 15%. It is therefore a question of comparing, country by country, the rate paid by the foreign affiliates of multinational corporations with the minimum tax rate. If the tax rate in a country falls below the minimum rate, this gives rise to taxation rights in the country where the multinational is headquartered. Thus, the minimum rate ensures that the corporation's profits are taxed at least at the minimum rate regardless of the countries in which they are reported.

In the next sections, we will look at the geography of profit shifting by French, US and German multinationals. We quantify the expected CIT gains that would result from implementing minimum taxation at a rate of either 15% or 21%. We discuss the different factors that will increase or decrease these gains and compare minimum taxation with other tax reforms currently being discussed.

2. Minimum effective taxation: Mechanisms

Quantifying the impact of international tax reforms requires a model of taxation that integrates corporations' ability to shift profits to low or zero tax jurisdictions. This is fundamental for three reasons. First, the amount of profit that can be taxed in a jurisdiction depends on the ease with which profits can be shifted to tax havens. Second, a global tax reform changes the tax planning behaviour of corporations and thus the taxable base of each country. Finally, a global tax reform has a real impact on the economy through the production, location of activities, and sales of multinationals, because it changes the effective corporate tax rate.⁽⁶⁾

The results of our simulations are based on the model developed by Laffitte, Parenti, Souillard, and Toubal (2021), which takes these elements into account. We consider Ireland, Hong Kong, Luxembourg, the Netherlands, Singapore, Switzerland, and a set of tax havens, notably in the Caribbean and the Pacific, which we group together and call offshore financial centers (OFC). The structure of the model is summarized in Appendix A of the *Focus* – in particular in Figure A1. Note that this is an economic model. The different scenarios therefore allow corporations to adjust their choices to a change in their environment. This fine modelling makes it possible to go beyond purely accounting models and to understand the trade-offs faced by corporations and their short- and medium-term decisions. This tool can also be used to study the impact of reforms on outcomes other than tax revenues – for example, the attractiveness of countries.

(6) The reforms assessed in this *Focus* cannot be compared directly to those in the 2019 CAE *Note* (Fuest, Parenti, and Toubal, 2019). The contours of the reform's Pillars 1 and 2 have changed considerably - in the current proposals for Pillar 2, the allocation of rights is made based on the headquarters of the group and not the place of production, while Pillar 1 now targets the 100 largest companies and no longer singles out digital firms. Finally, the estimations of the current model are based on more recent and more detailed data.

The introduction of a global effective minimum tax at corporate headquarters will have several effects on tax revenues in France:

- A tax base reallocation effect (or base effect): a gain in tax revenue due to the reduction in profit shifting by French and foreign multinational corporations to tax havens. These corporations would be taxed at the effective domestic rate and not at the minimum effective rate;
- A subsidiary taxation effect (or rate effect): a gain in tax revenue on the activities of French multinationals that continue to shift profits to tax havens but are now taxed by France, the country of their headquarters, at a rate that equals the difference between the minimum rate (15% or 21%) and their effective rate in the tax haven. Note that this gain disappears if tax havens no longer have any incentive to have a rate below the minimum rate, which would be the case in the long run for most tax havens;
- A production relocation effect: a possible loss of tax revenue due to the relocation or halt of production in France for corporations whose presence there is sensitive to the tax environment.

In this *Focus*, we limit ourselves to showing the effects of an effective minimum tax and its impact on tax revenues.

3. Geography of tax avoidance

Examining the geography of tax avoidance is useful to understand the issues at stake in the reform. Figure 1 shows that profits from activities carried out by European multinational corporations such as those in France or Germany are shifted heavily to European tax havens.

The figure reports profit shifting of multinationals by the nationality of the headquarters. To compute these figures, we use bilateral balance of payments data provided by the OECD and Eurostat. These datasets make it possible to approximate - thanks to dividends and reinvested profits - the location (in tax havens or not) of profits made by multinationals according to the nationality of the head of the group. We then calculate the excess bilateral profits relative to the real activity as predicted by a gravity model. A part of the profits located in tax havens may indeed correspond to real activity and not to tax avoidance. The gravity model provides an estimate of the magnitude of this real activity. This is how we derive for France the profits made by French groups in France and abroad that have been shifted to tax havens. We adopt this perspective since the minimum taxation negotiated by the OECD allocates the taxing rights exclusively to the country where the multinational's headquarters is located.

French corporations worldwide shift around €34 billions of profits to tax havens. French and German corporations shift relatively similar amounts of profits – €34 billion and €46 billion respectively. Unsurprisingly, the amounts involved are higher in absolute terms in the United States, whose corporations shift €95 billions of profits.⁽⁷⁾

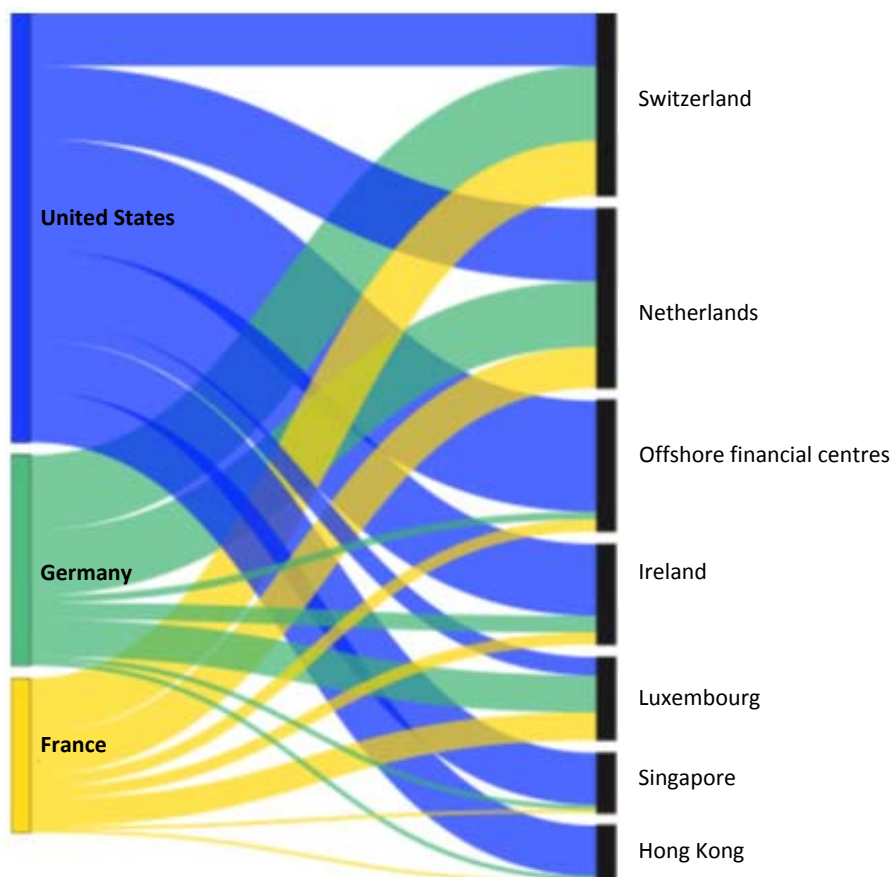
For France, the main profit shifting destinations are Switzerland, the Netherlands, and Luxembourg. The geography of profit shifting is very similar for Germany. In contrast, profit shifting by US corporations is relatively more directed towards offshore financial centers close to the US coast, such as the Bahamas or the Cayman Islands, as well as Ireland, Hong Kong, and Singapore.⁽⁸⁾

(7) Note that we will soon revise this figure upwards for the US with new data. At the time of writing, US profit transfers are therefore underestimated. A reassessment of profit shifting for the US only marginally affects the quantification of profits shifted by other countries to tax havens.

(8) It should be noted that Ireland has a special tax relationship with the US, whose corporations represent an important share of the Irish tax base (see Annex B). This is an important factor in tax negotiations. Given the weight of the US in Ireland, the imposition by the US of a minimum tax rate of at least 15% would probably cause Ireland to adjust its rate.

According to our estimates not reported here, the amounts of profit shifting are greater when considering US corporations than when considering corporations operating in the US. This is consistent with the view that profit shifting by US corporations disproportionately affects their foreign affiliates.

Figure 1. Geography of tax avoidance by origin of the group headquarters



Interpretation: The data for the profit shifting of US corporations will be revised upwards soon, after processing new data.

Source: Authors' calculations based on Laffitte *et al.* (2021).

4. Impact of the introduction of a minimum effective rate

The model described above is used to assess the effects of introducing a global minimum effective tax rate that is implemented by all countries. Two rates are considered: 21%, which is the initial proposal put forward by the Biden Administration, and 15%, which corresponds to the floor rate set by the US Administration. We present the short-term effects of implementing these rates and then discuss the longer-term effects.

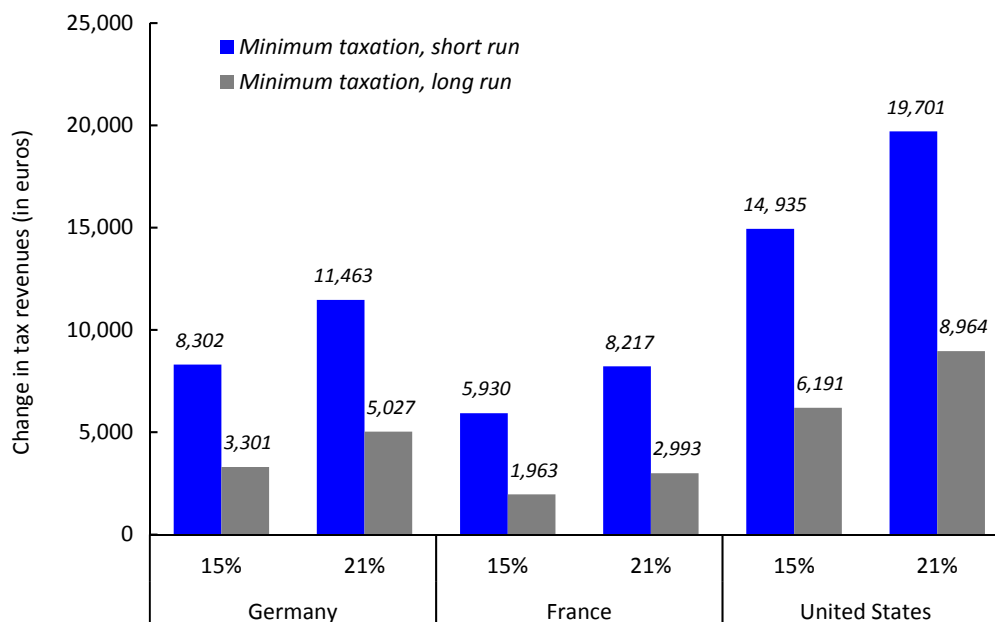
In the short-term scenario, we assume that tax havens do not adjust their rates. Thus, countries tax profits made in tax havens at a rate equal to the difference between the minimum effective tax rate and the rate actually paid. If tax havens react in the longer term and set their rates at the minimum rate, then other countries would no longer collect this tax gap – all profits are thus taxed by default at least at the minimum effective tax rate. On the other hand, profits located outside tax havens will increase as post-reform the cost of shifting profits to tax havens will have increased.

We first report the tax revenue gains associated with each scenario for France, Germany, and the US. The results for each of the other countries in the database are available from the authors upon request. All three of the countries considered gain from the tax reform. Unsurprisingly, the gains are higher at a 21% minimum

tax rate than at 15%. For example, French revenues would increase by €5.9 billion in the short term with a minimum tax rate of 15%, compared to €8.2 billion with a tax rate of 21%.

Although the levels of the amounts are lower for France (whose GDP is lower than the German and US GDPs), the growth in corporate tax revenues would be the highest there. We estimate that with a minimum rate of 21%, French tax revenues would increase by almost 20% compared to 10% for Germany and 3.5% for the US.

Figure 2. Tax revenues after the introduction of a minimum effective tax rate



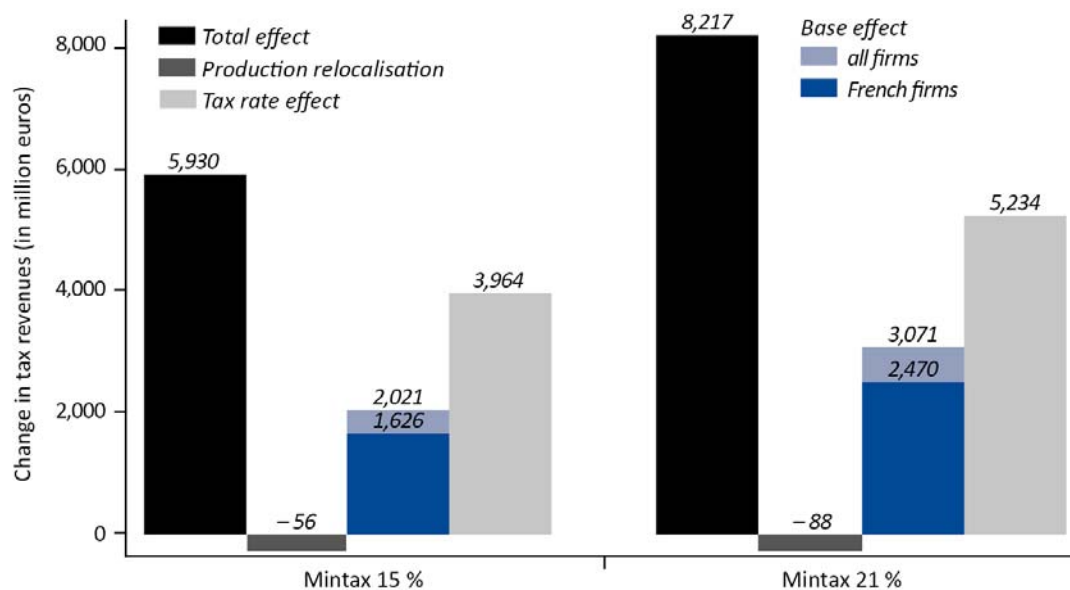
Source: Authors' calculations based on Laffitte *et al.* (2021).

Changes in tax revenues result from three channels: a relocation of production, a reallocation of the tax base (base effect), and the minimal taxation of corporations continuing to transfer profits to tax havens (rate effect). Figure 3 shows this breakdown for France in the short run. About 65% of the gains come from the application of the effective minimum tax on profit transferred to tax havens (rate effect). This part of the increase in tax revenue comes entirely from French multinationals that have their headquarters in France and affiliates in tax havens. Around 35% of the gains are explained by the decrease in profit transfers to tax havens (base effect), with French corporations contributing more to this reallocation of the base (around 80%) than foreign corporations. The effects of the relocation of production have a minor negative effect on revenues.

In the long term, the gains fall (by €2 billion for the 15% rate, €3 billion for the 21% rate), because tax havens have an incentive to raise their effective tax rate, and part of corporate activities remains in tax havens. French subsidiaries in Luxembourg or Ireland are then taxed at the minimum effective rate by these countries, and France has no additional right to tax them. Nevertheless, the objective is achieved in the sense that French corporations avoid corporate income taxes less, they reallocate part of their profits to the countries of production, and they use tax havens less to avoid paying taxes in France.

All these figures will change according to the scenarios chosen in the course of the negotiations, but the orders of magnitude will be similar if the application of the minimum taxation concerns only multinational corporations above the threshold of 750 million euros turnover.

Figure 3. Tax revenues in France after the introduction of a minimum effective tax rate



Interpretation: The base effect (in light blue) corresponds to the tax revenues linked to an increase in the tax base in France as a result of the decrease in transfers to tax havens. Most of the base effect is linked to the change in behaviour of French corporations (dark blue), the rest to foreign corporations located in France. The rate effect (green) corresponds to the tax revenues collected through the imposition of a minimum rate on French subsidiaries located in tax havens. The production relocation effect (in yellow) corresponds to the loss of tax revenue due to France’s loss of competitiveness.

Source: Authors’ calculations based on Laffitte *et al.* (2021).

5. Introduction of a minimum effective rate

The introduction of a minimum effective rate raises several questions. First, we discuss the tax base, which is a crucial issue in the negotiations. Second, we examine how this type of reform fits in with current legislation and the expected effects of reform changes to adjust to European legislation (and vice versa). Finally, it is likely that some corporations will seek to circumvent these laws, so it is necessary to anticipate the possible loophole strategies they might adopt.

Taxable base

Whereas the current debate is about the rate, the base on which that rate would be applied is a major issue in the upcoming negotiations. It would be utterly inefficient to tax a corporation at a very high rate but on a reduced base due to tax deductions and rebates and profits already transferred to low or zero tax jurisdictions. Thus, the US proposal was for a minimum effective tax rate of 21%, which would cover a fairly broad base. Indeed, according to the Biden Administration’s initial proposal, the profits of US corporations made even by real activity in very low-tax countries would no longer be deductible from their US tax base. The idea was, among other things, to counteract the decline in tax revenues following the implementation of the “GILTI” (*Global Intangible Low-taxed Income*) taxation system, which provides an exemption for income generated by tangible assets abroad (labelled “QBAI” for *Qualified Business Asset Investment*). Whereas this exemption was intended to not penalize productive investment, the US administration notes that it has encouraged US corporations to invest more abroad in order to reduce their tax base *via* GILTI. This is a reminder that even tangible investment can be manipulated to reduce its taxation. Despite the US experience, the global minimum rate currently being negotiated at the OECD provides for a substance-based carve-out that limits the application of the reform to profits that are dissociated from the corporation’s real activities. An agreement on a 15% rate including this provision would therefore correspond to lower revenues.

21% vs. 15%

The rate issue is at the centre of the current negotiations. The scenarios described above quantify the differences in tax revenues depending on the rate. One aspect that is not reflected in the model is the effect of a tax rate differential between multinationals and domestic corporations – in particular Small and Medium Sized enterprises (SMEs). Indeed, if the minimum effective tax rate is 15% and SMEs are taxed at 22% (their effective rate in France), this institutionalizes a strong gap between small and large firms. In a recent work (Martin, Parenti, and Toubal, 2021), we show that this type of gap offers a competitive advantage to firms subject to the lower rate, which distorts competition and strengthens the dominant positions of the largest firms.

Unilateral implementation

Under the current EU legal framework, a unilateral minimum taxation of foreign affiliates compatible with the non-discrimination principle of EU law would require a *substance-based carve-out*, implying de facto minimum taxation only on affiliates in the EU without any real activity. This amendment would make the reform less effective for subsidiaries within the EU. However, this legal constraint would apply only within the EU, which makes it possible to impose minimum taxation on subsidiaries outside the EU, without restriction (e.g. in Switzerland).

Another option to overcome the principle of non-discrimination within the EU would be that the effective rate applied to the profits of foreign subsidiaries would also be applied to domestic corporations with a turnover above 750 million euros. This has led Englisch (2021) to suggest that a unilateral implementation of the minimum tax rate would become possible by aligning it with the domestic tax rate. Hence, supporting a minimum tax rate of 21% would in fact increase the taxation of large French corporations, and in particular of all corporations that are not multinational or do not engage in tax avoidance. In the study produced by the EU Tax Observatory (Barake *et al.*, 2021), tax revenues are partly driven by the absence of a threshold at 750 million euros and thus by the taxation of all corporations in the territory whose effective rate is lower than the minimum rate.

The EU does, of course, have the option of changing its legislation (Englisch, 2021), but it would then run the risk of encountering a veto from a single Member State. A middle path could be based on enhanced cooperation by a group of Member States, i.e. a group of countries could move forward on the imposition of a minimum tax. Some readings of EU case law suggest that if the group represents the interests of a large number of EU countries, the Court of Justice could authorize the introduction of a minimum tax rate.

Inversions

A common objection to the introduction of a minimum effective tax rate is the possibility for corporations to move their headquarters to a country that does not apply an effective minimum tax rate. Note first that this issue has been a concern of the US administration for many years because of its tax regime. Effective tools such as “BEAT”, recently replaced by “SHIELD”, have therefore been put in place, limiting the legal possibilities of this type of arrangement.⁽⁹⁾ As noted by Fuest, Parenti, and Toubal (2019), the implementation of minimum taxation relies on two legal instruments that already exist in France, the income inclusion rule (IIR) and the tax on the base erosion payment. These two rules make it possible to significantly reduce the occurrence of inversion. It should also be noted that the possibilities of inversion are mechanically limited by the number of countries adopting minimum taxation. Finally, beyond legal provisions, governments can take policy positions to reduce the incentive for corporations to make such moves. It is

(9) The BEAT (Base Erosion Anti-Abuse Tax) clause is an anti-abuse clause introduced to stem the erosion of the tax base due to so-called “erosive” payments made to a group’s foreign entities. The SHIELD (Stopping Harmful Inversions and Ending Low-tax Developments) clause, proposed by the Biden Administration, concerns payments leaving the US to countries where the effective rate is less than the US effective rate. It provides for the elimination of deductions on such payments.

possible to imagine, for example, that States cease to offer their support to large corporations whose headquarters are no longer on their territory. We are talking here about large groups whose economic development often relies on French diplomacy, French intelligence, and French defence for some of their units in countries located in conflict zones.

Definition of the group headquarters

No text defines exactly what is the headquarter of a corporation and its location. The most reliable criterion used by case law is the determination of the place where decisions are made. However, corporations can have a complex network of subsidiaries, with a multitude of segments and decision-making centres attached to them. This is the case of many digital corporations but also in other sectors such as pharmaceuticals or electronics. Having a clear definition is essential, because the taxation rights under the minimum tax reform are for the country where the group headquarters is located.

6. Comparison with other reforms

Ongoing negotiations within the OECD and the unilateral initiatives of several countries have very different objectives and implications than the minimum tax rate.

DST

Some countries, such as France, have unilaterally introduced a tax on digital services. This type of tax is fundamentally different from minimum taxation. It is a sales tax whose purpose is to tax businesses that do not necessarily have a physical presence in the country. The revenues associated with this type of tax are limited: €350 million in France in 2019. In addition, the costs of the trade retaliation measures implemented by the United States must be subtracted from this revenue. Finally, it should be noted that the United States considers this type of targeted tax as a discriminatory measure against its corporations and sees it as a major obstacle in the negotiations. An alternative interpretation is that the tax could be used as a threat in case the negotiations fail and to push for a multilateral agreement. This tax should indeed be withdrawn once a multilateral agreement is reached at the OECD.

Pillar One

Pillar One of the OECD negotiations (Pillar Two concerns minimum taxation) originally focused on digital corporations. In the new version discussed at the G7, the digital component of the reform has been replaced by a tax on the 100 largest global groups, regardless of their sector, that make profit margins of more than 10%.⁽¹⁰⁾ For these groups, selling in a market would *de facto* imply a contribution to the corporate tax of that country. Countries have agreed on an allocation of at least 20% of the taxation rights to destination countries for these corporations' excess profits.

The revenue calculation for France is based on two steps detailed in Annex C. The first step consists of calculating the amounts of excess profits taxable under Pillar 1 for each of the targeted corporations, that is, profits that exceed the 10% profit margin. In total, the taxation rights under this Pillar amount to 20% of the accumulated residual profits, approximately \$130 billion.

The second step is to reallocate these taxation rights between countries according to the geography of the multinationals' sales. As we do not have access to sales by country and by corporation, we adopt a more aggregated allocation key to capture each country's weight in the consumption of goods and services sold by

(10) Amazon is not included in the target corporations, because its margin rate is below 10%. However, its cloud segment has a margin of more than 10% and a turnover that puts it in the top 100, so we include this segment of Amazon in our calculations.

these multinationals. We assume that the taxation rights for each country are proportional to the GDP weights in world GDP.

In 2020, France's weight in world GDP was about 3% according to World Bank figures. France could therefore tax a base of 3.9 billion dollars. At the statutory rate in force in 2021 (26.5%), this would bring in approximately 900 million euros in additional tax revenue.⁽¹¹⁾

Finally, it should be noted that the design of Pillar 1 offers opportunities for manipulation. Every allocation factor is manipulable – especially sales (Laffitte and Toubal, 2021). It would be feasible to put in place rules to limit manipulation, but this could generate significant costs for tax administrations and corporations. There is a real trade-off between robustness to manipulation and the cost of implementing such rules.⁽¹²⁾

For these reasons, we consider that 900 million euros in revenue is an optimistic view of the reform.

(11) This calculation does not take into account the loss of taxable base for France. Indeed, 20% of the residual profits of the top 100 corporations subject to corporate tax in France would no longer be taxed. These losses cannot be calculated precisely, but we think that they are minor for three reasons. First, these losses would be realized only if the share of the overall residual profit made and already taxed in France was greater than the share of the corporation's worldwide sales in France. Second, these corporations are highly internationalized, and a large part of their profits already escape taxation in France. Third, even if these corporations were currently subject to tax in France, it is unlikely that these profits would be included in the definition of the taxable base of Pillar 1.

(12) Furthermore, Pillar 1 implies at least one amendment of the existing taxation treaties.

Annex A Model

The structure of the model is similar to that found in the literature on quantitative general equilibrium models with multinational production (see for example, Head and Mayer, 2019). We introduce profit taxation and profit shifting to tax havens. Figure A1 summarizes how the model works. It is a model of monopolistic competition in which firms are heterogeneous in terms of productivity. The world is composed of asymmetric countries in which labour is the only production factor. Each country has a given number of workers, each of whom provides one unit of labour without disutility. The number of firms is endogenous. Firms locate their headquarters in country i , produce in country l , serve destination markets n , and locate their profits in country h . Since the taxation system is territorial, taxes are collected at the level of the country of production. Thus, profits generated in l can stay in l or be moved to a tax haven. The set of tax havens is fixed and exogenous.

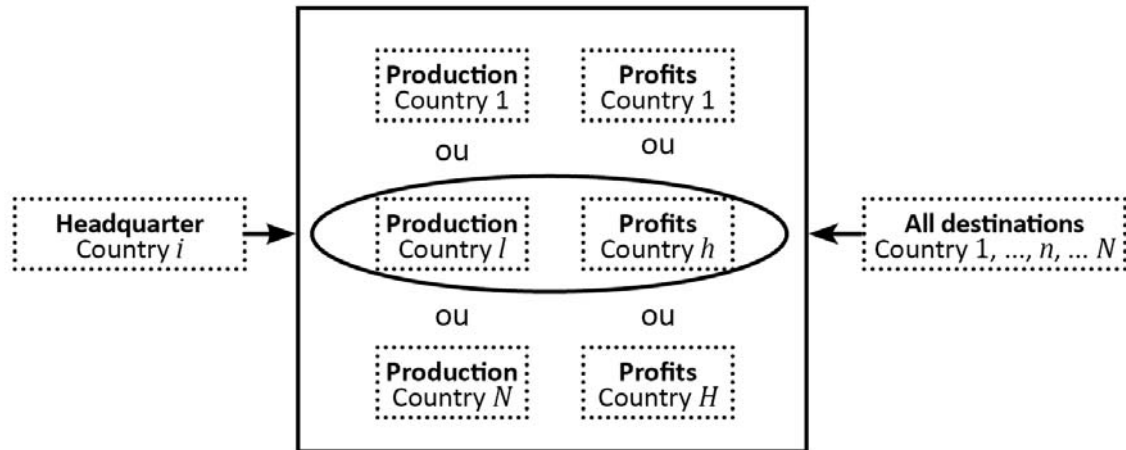
The sequence is as follows. First, corporations decide whether or not to set up their headquarters in country i against payment of a fixed cost (free entry). Then, the entering firms simultaneously choose where to locate their production (country l) and record their profits (country h). This choice is based on their profitability in each pair of countries lh . This profitability depends on multiple factors. It is, for example, given by the specific productivity of firms for each pair lh . These productivities follow a multivariate Fréchet distribution and reflect the production and aggressive tax optimization technologies of the corporations. Profitability in pair lh is also a function of the cost of labour in l , bilateral frictions between country i and l , country l 's access to destination markets n , and the tax rate in h . The taxation of profits thus distorts firms' location choices. In particular, the latter incorporate the possibility of moving their profits to tax havens. Finally, the taxes collected are redistributed as lump sums.

The model breaks down the tax elasticity of profits into two components: the tax elasticity of observed profits in non-tax havens on the one hand, and the tax elasticity of profits shifted to tax havens on the other. Furthermore, the model delivers gravity equations not only for trade flows and multinational production, but also for bilateral profit shifting. Profits shifted from a production country to a tax haven depend on the characteristics of both jurisdictions l and h (e.g. tax rate and tax haven technology) as well as on bilateral characteristics specific to the lh pair (e.g. distance). They are also influenced by the characteristics of other tax havens. Therefore, all else being equal, profits shifted to a tax haven will be affected through a reallocation mechanism if another tax haven changes its tax rate. This gravity-based profit shifting significantly enriches the reduced form modelling à la Hines and Rice (1994), which is common in the literature. In these models, profits shifted to a tax haven are given by a quadratic cost function and ignore the attributes of other tax havens.

The flexibility of the model allows us to simulate numerous international tax reforms. Following a reform, firms will adapt their production location, their tax optimization behaviour, and their sales. At the macro level, the model determines the share of production in l made by different countries i , the allocation of production in l in different destination markets n , and the distribution of profits made in l in each jurisdiction h . These shares are reallocated after each reform, and these changes determine the winners and losers of the proposed reform. Furthermore, the model is able to predict the effect of these reforms on a large number of aggregates: tax revenues, absolute and relative attractiveness of countries, GDPs, etc.

The model is calibrated using data on trade in goods and services, on multinational sales, and on the profits shifted to tax havens. The database covers 40 countries, including seven tax havens: Hong Kong, Ireland, Luxembourg, the Netherlands, Singapore, Switzerland, and an Offshore Financial Center that includes a large set of small tax havens, notably in the Caribbean and the Pacific. These countries account for around 85% of global GDP, and the data covers the period 2010-2014.

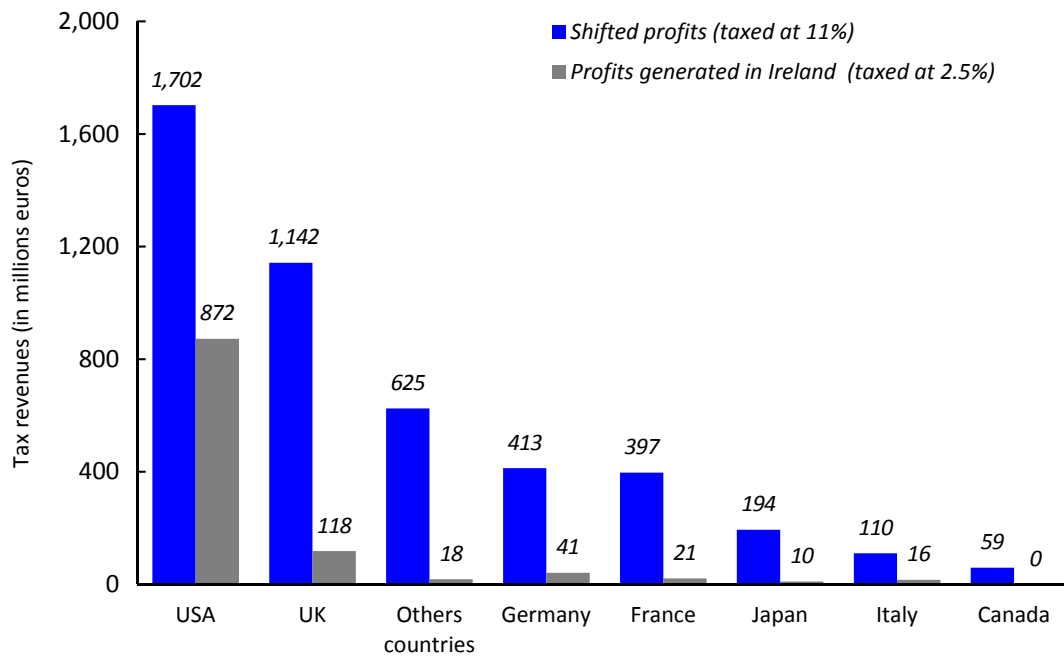
Figure A1. Structure of the model



Source: Laffitte et al. (2021)

Annex B

Figure B1. Distribution of the Irish tax base



Source: Author's computations.

Annex C

Quantification of Pillar 1 revenue for France

The data used are the turnover and profits reported in Compustat (North American and Global) for the year 2019. The calculation of Pillar 1 (P1) tax revenues for France follows the following steps:

- Calculation of profits and sales of Amazon's cloud segment: Amazon's revenue divided by 7 (which corresponds to the weight of the cloud segment in Amazon's business);
- Calculation of the profit rate: profit/turnover ratio;
- Selection of the 100 largest corporations in terms of turnover from among those with a profit margin above 10%;
- Calculation of residual profits for each top 100 corporation:
Residual profits = (profits – 10% turnover)
- Taxable base under P1 equal to 20% of residual profits;
- Sum of the taxable base of all top 100 corporations;
- Base for France: total base × weight of France in world GDP;
- Tax revenue: French tax base × statutory rate in force in France.

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