Google’s UK tax deal leaves major corporations with nothing to fear

Simon Whelan
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Technology giant Google’s pathetically small British tax payment confirms once again that major corporations operate virtually unhindered by national governments.

Google will pay Her Majesty’s Revenue and Customs (HMRC) just £130 million to settle their back taxes for the 10-year period, 2005-2015. During the more than five years prior to the settlement between Google and HMRC, with the then Labour government beginning negotiations in 2009, Google secured meetings with government ministers on no less than 25 occasions.

Google billionaire executive Eric Schmidt is said to enjoy close links with the Conservative Party leadership and sits on the party’s Business Advisory Board. Google is staffed by a raft of former government figures like Rachel Whetstone, one-time Tory aide, a friend of Prime Minister David Cameron and until last year Google’s PR Chief.

Tim Chatwin moved straight from serving as Cameron’s head of strategic communications to a post as Google’s senior director of communications in 2012. Cameron’s Internet Security Minister, ennobled by the prime minister, Joanna Shields, is a former managing director of Google.

Forced to respond to a public outcry over letting Google off virtually scot-free, the House of Commons Treasury committee had to launch an inquiry into the UK tax system after the weekend announcement. The agreement between Google and HMRC is opaque and closed to public scrutiny.

The tiny amount Google will pay represents just £13 million per year. Over the past 10 years Google reported worldwide revenues of £40 billion and £11 billion in profit. Between 2006 and 2011, Google had revenues in the UK of £11.5 billion, on which it paid a grand sum total of £10 million in tax, i.e., a rate of less than 1 percent. Google’s annual British income is said to be in excess of £4 billion, roughly a tenth of its global sales.

Google claim their UK business is actually in Ireland and so the British treasury should receive profits only on UK transactions. Google employee and whistle-blower Barney Jones has provided 100,000 emails with details that question the truthfulness and accuracy of Google’s assertions.

The settlement will allow Google to continue to book almost all of its £4.6 billion “UK” sales through Ireland. In addition, Google UK, a subsidiary which employs 2,000, will only be required to pay just a little more tax to HMRC.

Tax experts agree this amounts to an effective tax rate of 3 percent. The official UK corporation tax rate stands at 20 percent.

In 2014, the British government announced the Diverted Profits Tax (DPT) scheme, effective from April 2015, which was meant to deter and counteract companies who sought to avoid making a “UK permanent establishment” in order to avoid paying UK Corporation tax.

The Diverted Profits Tax was said to be deliberately established at 5 percent above the 20 percent Corporation Tax to act as a deterrent to tax avoidance. At the time it was dubbed “The Google Tax”, because it was aimed at corporations who book their profits through other European Union states and then claim to have no UK presence.

Google employs hundreds of London-based staff, but claims it has no “fixed base” in the UK. Photographs online reveal the interior of Google’s London business premises decorated with giant floor-to-ceiling Union flags.

The tax deal was first announced in a tweet last weekend, suitably enough from the World Economic Forum in Davos, Switzerland. Chancellor George Osborne told the *Guardian* it represented a “major success of our tax policy.”

Osborne continued, “I hope to see more firms follow suit and of course I’ve introduced a diverted profits tax which will require this going forward. So I think it’s a big step forward and a victory for the government.”

Google have avoided paying the Diverted Profits Tax as part of their secret deal with Osborne.

Cameron’s spokeswomen described Osborne’s deal only as “a step forward.”

Only days later, at Prime Ministers Question Time and with Google’s tax arrangement firmly established in the headlines, Cameron deflected criticism from the Labour opposition benches about Google’s derisory taxes by arguing his administration was correcting the faults of Labour’s previous administrations. Labour had failed to force Google to pay sufficient taxation, he said.

The prime minister alluded to Labour’s own close relationship with international finance by telling current Labour leader Jeremy Corbyn, “Maybe you should start by calling Tony Blair. You can get him at JP Morgan. Call Gordon Brown. Apparently you can get him at a Californian bond dealer called Pimco. You can call Alistair Darling. I think he’s at Morgan Stanley, but it’s hard to keep up.”

The probable Tory leadership candidate Boris Johnson denounced the Google tax deal, as did the *Sun* newspaper and its owner, Rupert Murdoch. In his column in the *Daily Telegraph*, Johnson was careful not to criticise big business corporations, but rather the tax system, when he described Google’s payment as “derisory.”

Johnson, the mayor of London, a capital city given over wholesale to the interests and lifestyles of the international super-rich, adopted a stance of defending small business people, writing, “It has never seemed fair that some of these companies no matter how wonderful the service they provide should be paying so much less in tax than the high-street tea rooms and bookshops they have pulverised. It would be a good thing, both for the UK finances and for the image of these great companies, if they paid more.”

Some critics accuse the British government of fighting shy of Google, whilst the French and Italian governments have taken a more robust attitude towards the often borderline criminal actions of corporations. The treasury in Paris is reportedly set to demand and receive approximately €500 million, three times what HMRC received, from Google—even though the tech company’s UK profits are said to be greater.

Officials in Paris and Rome are said to have refused to accept Google’s ruse of funneling all European sales through Dublin to benefit from lower Irish taxes. Authorities in France are thought to have opened audits on many prominent online businesses, in inquiries that sometimes involved dawn raids by tax police.

Italy is presently demanding 15 percent of Google’s’ €1 billion profits. Rules to stop companies using complex tax arrangements to avoid paying corporate tax have since been agreed by 31 OECD members, supposedly to make companies such as Google, Amazon and Facebook pay tax in the country where the profits are made. But the agreement is limited to sharing information rather than a new law or tax—and the UK has seen no problems in signing up. And, as the *Financial Times* so delicately put it in relation to France, “In the UK, relations between the tax authority and big companies were a lot more cordial.”

A number of technology corporations that have been watching developments will be able to breathe more easily on news of Google’s settlement. Some, like Facebook, eBay and LinkedIn, feared the DPT would force them to radically reorganise their European business operations. The Google settlement means that most technology firms will continue to route their UK sales overseas, as part of their perfectly legal tax avoidance plans.