Google 'avoided paying £1.5bn in tax' that could have paid for 60,000 nurses

EXCLUSIVE: Internet giant are accused of paying 24 times less corporation tax than they should have done — a major hit to public services

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- 22:10, 7 APR 2019
- Updated22:46, 7 APR 2019

News

Campaigners allege that Google should have paid £1.5bn in corporation tax (Image: AFP/Getty Images)

Web giant Google has been accused of avoiding enough UK corporation tax last year to give our flatlining NHS 60,000 more nurses.

The £1.5billion estimate by campaign group the Tax Justice Network, in an analysis for the Mirror, is based on the firm booking all UK sales here rather than apparently diverting them abroad.

The potential shot in the arm for our public services would be almost 24 times the £67million Google says it actually paid in corporation tax in 2018.

The claims come after Google agreed a deal with HMRC in 2016 to hand over £130million in back taxes following an outcry at how little it had been paying.

At the time, the company said: “We will now pay tax based on revenue from UK-based advertisers, which reflects the size and scope of our UK businesses.”

Shadow Chancellor John McDonnell slammed the US firm, whose parent company Alphabet has a stock market value of around £645billion, as he vowed that Labour would make global giants “pay their way”.

John McDonnell vowed to make internet giants 'pay their way' under Labour (Image: Daily Mirror)

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He said: “When our schools are so underfunded and teachers are having to pay for basic materials themselves, we can no longer tolerate these global companies avoiding their tax responsibilities on such a massive scale.

“I am making it clear that Labour will take firm action against tax avoiders to force them to pay their way.”

Labour pledged to “take on the scourge of tax avoidance” and “close down loopholes” in its manifesto for the 2017 election.

The unmistakable Google offices in London (Image: In Pictures via Getty Images)

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And the Treasury is mulling a digital levy to boost the bills of Silicon Valley giants such as Google.

Google, led by chief executive Sundar Pichai, is among a number of US multinationals accused of using creative accounting to lower tax liability.

The only accounts the firm publishes for its business here are those of its Google UK arm.

Documents out last week show it generated £1.4billion in revenue last year – up from £1.26billion – which was made up of fees for providing “marketing services” and research and development for other parts of Google.

This does not include the bulk of Google’s business – lucrative advertising sales – traditionally booked in Ireland.

If those were included, Google’s UK’s total turnover could be at least £9.7billion, according to the analysis by the Tax Justice Network.

Google CEO Sundar Pichai has a lot to answer for (Image: SCU)

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That is based on the UK continuing to make up around 9% of Alphabet’s global revenue as it did before 2017, when this data was dropped from its annual results.

The Tax Justice Network then worked on the assumption that the majority of the firm’s costs associated with advertising sales are either already borne by Google UK or its Irish arm.

This would result in Google UK recording an additional estimated taxable profit of £8.3billion – leaving it liable to an extra UK corporation tax bill of just over £1.5billion.

That is equivalent to the income tax bills of around 440,000 people on an average UK salary of £29,000.

Google chief Pichai, 46, who took the reins in October 2015, reportedly pockets $199.7million (£171.7million) every year and Forbes claims he is worth $1.3billion (£994million).

Economist Alex Cobham, chief executive of the Tax Justice Network, said: “This should be in the mind of HMRC and the Chancellor on the continuing weaknesses of the UK tax system, especially when needless austerity has led to the shocking phenomenon of falling life expectancy in lower- income households.

Public services may well have taken a hit because of Google's actions (Image: PA)

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“We urge policy makers to ensure taxable profits are aligned with the location of real economic activity, including employment and sales.”

Google refused to comment on the Tax Justice Network’s study.

But it said in a statement: “As an international business, we pay the majority of our taxes in our home country, as well as all the taxes due in the UK.

“We are investing significantly in the UK, including starting work on new offices in King’s Cross for 7,000 staff.”

Meanwhile, the Tax Justice Network’s findings come as the Government is this week expected to propose new laws that will help clamp down on web giants over harmful content.

£1.5bn could buy...

- One year’s salary for 60,000 nurses

- One year’s salary for 50,000 Police Constables

- One year’s salary for 50,000 firefighters

- One year’s salary for 50,000 secondary school teachers

- Around seven new hospitals (based on a build cost of £200 million)

- 75 new schools (based on a build cost of £20 million).

- 25 million potholes to be filled

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'There is a clear solution, so why not get to work?'

By Richard Murphy, Professor at City, University of London

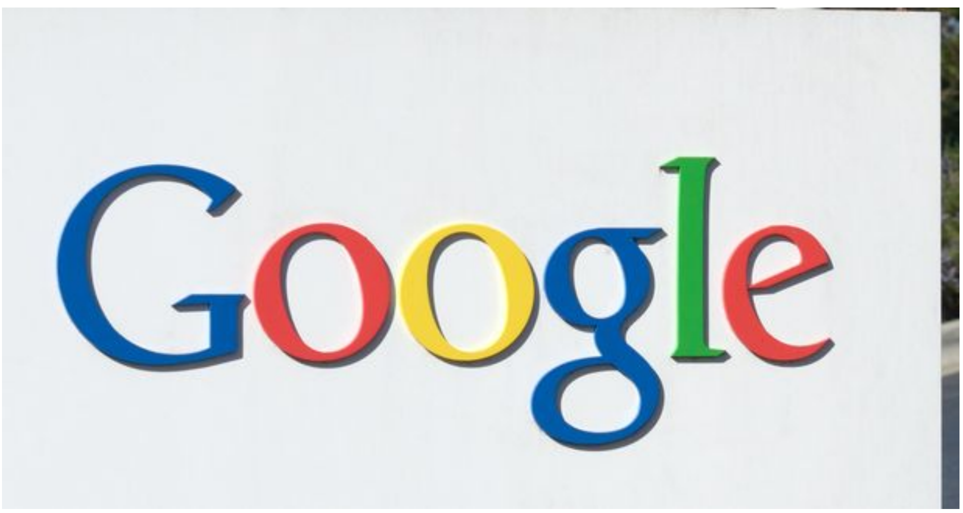
Despite all of the assurances Google has given, 10 years after I first wrote about its UK tax affairs it is still underpaying tax in this country.

The question is what can be done about this? There are three choices.

First, we could simply apply an extra tax to sales by tech companies like Google, Facebook and Twitter that make their money out of other people’s data. This would be like an additional VAT on their sales. Some countries are planning this.

But it is rough and ready and that’s not a good basis for tax. And it effectively passes the tax bill on to the customer and that’s not what we want.

Second, we could go for a special “user” tax. This would say a company like Google sells other people’s data, which gets value from people using the search engine. So tax should be paid on the basis of the number of users the firm has in a country.



Google's more familiar choice of logo from the days when its motto was 'don't be evil' (Image: Getty Images)

It should, then, pay a tax based on its profit to each country where it has users to effectively pay for the data people give it. This could apply to all tech companies. But it depends on them telling the truth on where their users are.

Third, and best by far, you could take Google’s world profits and split them between countries based on a formula. This would reflect where its customers, its employees and its assets really are.

The system would not be perfect but it could be applied to all other international businesses on exactly the same basis and that does make it fair. And we would get a lot more tax than now.

The first of these is crude. The second has some logic to it. The last is fair and technically best.

The time for argument should be over. Countries need to agree and get on with this now.