

Backlash builds against Google tax deal

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George Parker and Vanessa Houlder in London for THE FINANCIAL TIMES

Downing Street distanced itself on Monday from George Osborne's claim that the tax deal with [Google](#) represented "a major success", amid [growing criticism](#) of the settlement.

[Google's agreement](#) to pay £130m in back taxes to the UK government has reignited a controversy that pushed tax avoidance to the top of the international agenda three years ago. The deal ended a decade-long probe by tax authorities into whether the tech group had skirted its tax bill by allocating profits earned in the UK — its second biggest market — to its European base in Ireland, where tax rates are lower

Conservative MPs — led by Boris Johnson, London mayor — have lined up to criticise what they said was a "derisory" payment by the US multinational.

Andrew Tyrie, chairman of the Commons treasury committee, announced an inquiry into corporate taxation saying that fundamental reforms would "probably now have to be considered". The chancellor's enthusiastic reception of the Google agreement was not echoed by Number 10. David Cameron's spokesman declined to repeat Mr Osborne's assertion that the deal was a "major success" and "a victory".

"It's a step forward but there's more to do," the prime minister's spokesman said. "We have made it clear that we want to see low taxes for business but tax must be paid. Clearly there is more work for the government to do to make sure multinational companies pay their tax."

David Gauke, treasury minister, was forced to defend the deal in the House of Commons and rejected suggestions from some MPs that Google's effective tax rate was just 3 per cent. But he said he could not say what rate the company had paid because he was not privy to tax information.

"[Critics form] an unholy alliance between myself, The Sun, the mayor of London and even No 10"

- John McDonnell

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He reminded MPs that international rules dating back to the 1920s decree that corporation tax was paid on the basis of where economic activity takes place rather than where profit was made.

But Mr Tyrie's treasury committee will look at whether the rules need to be changed. MPs are also expected to call multinationals such as Google, Facebook and Amazon to give evidence on their tax affairs.

John McDonnell, shadow chancellor, claimed the deal with Google had helped to form "an unholy alliance between myself, The Sun, the mayor of London and even Number 10".

Steve Baker, one Tory MP, said the Google deal was "derisory", echoing the view of Mr Johnson, and "totally unacceptable" to the public. The Sun newspaper said it was "a kick in the goolies".

The issue of corporation tax has also been rising up the US political agenda. On Monday, Johnson Controls [revived a debate](#) about tax-cutting "inversion" deals, after it agreed a \$20bn combination with Tyco International which would move the US manufacturer's domicile to Ireland.

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Sierra One 35 minutes ago

Perhaps we should see the £130m as the *price* Google decided it would pay to *buy* the termination of the UK's "decade-long probe by tax authorities into whether the tech group had skirted its tax bill".

It is Mr Osborne's Treasury and HMRC that have an interest in spinning this as Google agreeing to pay "back taxes"; i.e. a victory by them over Google. But Google would rather not hear (nor say) the word "tax" at all. "What avoidance? We broke no law! End of." True -- and revealing:

What we actually learn from this episode is the going rate for buying the silence of Mr Osborne's Treasury: circa 3%. Think about that for a moment.

Perhaps henceforth Mr Osborne should be known as "Mr 3%". And perhaps "Never knowingly undersold" can be made the UK's corporation tax policy; works as a Tweet too.

(More trivially: Clumsy of Mr Osborne to expose himself this way to his "friend" Boris.)

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Citizen88 49 minutes ago

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The debate is not really about the Google payment but the highlighting of the arcane and anachronistic tax system we have. Corporate and personal. Application of existing rules is also poor as it is difficult to imagine a personal tax payer, without penalty, being given up to 10 years to argue the toss. For Google to take that time and employ advisors you know the outcome was worth it.

Reform however badly needed should not be underestimated. While living in Hong Kong many years ago the US Congress sent a committee to review the spectacularly successful tax system of 15% flat (personal) and 16.5% if your employer paid for your housing. Their simplified conclusion: a 25% flat tax would collect a meaningfully larger tax revenue but be over-run by the unemployment in legal, accounting and government employment. It is much the same with reform of Corporate Tax. With the added complexity of the stock market and broader corporate financing as companies were forced to pay closer to or at headline tax rates. Headline tax rates are frankly meaningless when the majority of companies structure to minimise.

As a previous commentor suggested changes to the system reflecting the times in which we live would transform the collection and amount. Now at a time where interest rates are at historic and predicted long term lows is the best time to make the change. We also need to be cognisant of the numbers that companies, particularly public, want to promote and therefore require some honesty. For example a 5% tax on gross earnings may be more relevant today. A recent Australian review of public companies showed that of 1539 corporate entities, 38 per cent did not pay any tax in 2013-14, 22 per cent incurred a current year loss, 8 per cent offset tax profit against prior year tax losses, and 7 per cent used franking credits and other offsets (such as foreign tax credits and research and development tax breaks) to reduce their tax. It may be the rules but the rules appear broke. The UK situation is likely to be similar.

This reform is financially and socially important. The employees of these companies have often supped at the State teat and if we are prevented from recovering some societal benefit through corporations and personal tax at reasonable levels we kill the society we are meant to enhance for our very economic success. Of course reform of government spending should follow hand in hand. Like the Google tax investigation it is a decade long process but the context of a fairer system working as stated (e.g. headline rates are the tax rates) is worth fighting for.

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Citizen88 55 minutes ago

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L'anziano 1 hour ago

Hold on a minute. Google obeyed the law. So does Starbucks. So does Amazon. So does Apple. These are not charitable organisations, they're set up to make money. What did you expect them to do? If the law is flawed, then for goodness sake, change the law. Politicians, if you've designed a flawed tax system, that's your fault! It's no good posturing and trying to lay the blame at the feet of the 'evil Americans'. The UK is a democracy. All you have to do - particularly in the 'elected dictatorship'-style democracy which exists here - is pass legislation. It clearly won't be unpopular to kick the evil corporations in the teeth.

Somehow, though, I'll bet politicians will prefer to 'line up' to criticise the big, bad American corporations and demand extra-legal 'shake down' payments whilst maintaining their lower corporate tax rate than the US as well as their cozy relationships with these corporations. Heaven forbid they do anything so bold as to legislate!
This is complete PR hogwash!

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Vyvian 3 hours ago

So Google has settled a 10 year review by HMRC by agreeing to pay £130m. In doing so Google negotiated with the HMRC and one assumes that HMRC applied tax laws as legislated for by the UK parliament (and not the multinationals) for that period of 10 years. So unless the HMRC is totally incompetent what's the issue?

The multinationals after all play the international tax game to their advantage, not surprisingly - that is the logical rational approach.

So rather than rail with pathetic socialist envy or opportunistic populist rage, do something about it, you politicians. Then look around at the rest of the world laughing at a country that positively seems to enjoy defecating where it eats its meals...and encouraging those same multinationals to relocate
Unless there is international consensus on tax, it will always be as has been.

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Ca 3 hours ago

It's probably time to abolish Corporation Tax thereby ending all the farcical tax 'planning' which seeks to divert taxable profit into lower tax jurisdictions, or make it 10% but disallow interest payments or insist on at least a 50% equity or or or. So many simple things a Government could do to sort this out but don't.

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Nicki 5 hours ago

Osborne does seem to specialise in foot in mouth disease.

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MaxSense 3 hours ago

Give him a break. He's a bloody historian. What can he know about taxes... or the whole fiscal system for that matter.

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Anthony Dunn 2 hours ago

@MaxSense

On the basis of his revolting kow-towing to the Chinese last year, Gideon clearly knows *\$%! all about history either. It grieves me to see such a remarkable lack of historical understanding paraded in the manner that Gideon has chosen to display his ignorance. But, I suppose, to be fair, he was only doing as instructed by his paymasters in the Hedge Fund industry.

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Karl Marx 1 hour ago

@Nicki ...while his hedge fund buddies specialize in nose in backside disease.
<https://twitter.com/davidealgebris/status/690512817666027520>

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Abacab 5 hours ago

After a six-year investigation, HMRC have stated that Google have paid their tax. Now we have everyone from the Labour party, the FT, and the prime minister's office demanding that companies "pay their tax". Well Google have paid their tax. This payment reflects what Google actually do in the UK, which is to sell something created, developed and operated outside the UK.

The FT's argument amounts to little more than "there's a large pile of cash over there - I want some of it". And as it's an "American", and "multinational" pile of cash, then nothing more needs to be said really - does it? Clearly it's immoral, if not downright evil, to have a pile of cash like that and not to give me some.

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