

May 17, 2013

'Just a joke': Amazon gets more money from UK government grants than it pays in tax

by Zeljka Marosevic

In the continuing saga of **Amazon's** tax dodging (see [here](#) and [here](#) for just a couple of our reports on this), it was [revealed this week](#) that the company's UK operation made £4.2bn in sales last year, used a subsidiary in Luxembourg to ensure it only paid £2.4m in corporation tax but (this is going to alarm, anger and perplex you all at the same time) received £2.5m through government grants.



"Hey Amazon, do you want some more money from the UK tax payer?" "Yeah, sure! We wish the Germans were more like you!"

At a meeting of the Commons **Public Accounts Committee (PAC)** yesterday, in which **Google** and other major companies were [brought to account](#) for their tax avoidance activities, the head of PAC, **Margaret Hodge**, revealed that PAC are now considering recalling Amazon to give evidence based on this new, startling information.

Hodge described Amazon's tax contribution as 'just a joke', explaining that,

"What people will find particularly galling is that the amount Amazon is paying in tax is actually less than they are taking from UK taxpayers in the form of government grants. Companies like Amazon should pay their fair share of tax based on their economic activity in this country and the profits they make here ... Its behaviour is not only unfair, it is anti-competitive, putting British businesses that do pay their proper tax at a disadvantage."

It is [believed](#) that Amazon received the government grants for opening a new distribution centre in the UK, which created 600 jobs, and for promising to open three more in the next two years. It is not easy to explain why it was thought Amazon needed government grants to encourage it to do more business in the UK. You would have thought over 4 billion in revenue and the ability to pay hardly any tax was excuse enough.

New legislation is obviously needed to stop Amazon from getting away with this behaviour. Fearful of losing big businesses in the UK by making them pay the tax they should, a government spokesperson [commented](#), 'it is important to reform the tax rules at a global level'.

We can only cross our fingers that Hodge does decide to bring Amazon in front of PAC. Her dressing down of Google's Vice-president **Matt Brittin** yesterday was a tantalizing nugget, a forewarning of what insults she might have in store for Amazon:

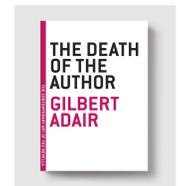
"You are a company that says you do no evil and I think that you do do evil in that you use smoke and mirrors to avoid paying tax."

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If Amazon is called up, I'll be the one on the front row with the popcorn.

Zeljka Marosevic is the managing director of Melville House UK.

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