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Corporation Tax Transparency Call From KPMG

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Starbucks, Amazon and Google have been questioned over their UK tax

Companies that operate in the UK have been urged to accept greater transparency over their complicated tax structures by a top professional services firm.

KPMG described it as a "sea change" for companies as they learn to disclose more account details.

The firm's head of tax Jane McCormick said: "We believe that corporations are going to have to embrace transparency to explain what taxes they are paying and where they are paying them."

But resistance still remains with some top firms to greater openness, according to a KPMG survey of 57 senior tax executives at leading British and UK subsidiaries of foreign multinationals (MNCs).

Some 40% of the executives still oppose a General Anti-Abuse Rule (GAAR) targeting highly abusive or artificial tax planning.

Ms McCormick added: "By doing so they will also illustrate how their presence contributes to the economies in which they operate whether that be by generating employment (income taxes), sales (indirect taxes), paying business rates or through corporation tax."

The push for transparency comes amid unprecedented public outcry over MNCs' tax avoidance through complex offshore mechanisms.

Ms McCormick added: "The risk is that, without this transparency, the current debate may turn into a witch-hunt, deterring businesses from investing in the UK."

Her comments come just days before the Commons Public Accounts Committee (PAC) is expected to release a report on its questioning of executives from three leading MNCs.

The PAC questioned representatives of Starbucks, Amazon and Google about the amount of corporation tax they pay in Britain.

When grilled by its chair Margaret Hodge, Starbucks' chief financial officer Troy Alstead said his firm had only made a profit once in the 15 years it has been doing business in the UK.

Amazon director of public policy Andrew Cecil was forced to explain why a CD or a book bought in pounds on Amazon.co.uk delivered from a UK warehouse by the Royal Mail is registered in Luxembourg.

Earlier in the year it was reported Amazon - Britain's largest online retailer - generated UK sales over the past three years of between £7.6bn and £10.3bn, but paid virtually no corporation tax.

Google's UK unit paid just £6m to the Treasury in 2011 on revenue of £395m, according to another news report.

Despite the reluctance from some top tax executives KPMG believes that details of tax arrangements will increase in annual company reports as firms seek to clarify their positions to the public, the media and politicians.

"We predict that a tax report will, in time, become as much a feature of the annual report as a Corporate Social Responsibility statement is today," Ms McCormick said.

"With improved transparency on tax, hopefully the 'bigger picture' of how a business-friendly tax system can attract corporates will emerge, demonstrating how the UK's ambition to create the most competitive tax regime in the G20 can play a key role in rebuilding the economy and fuelling the recovery."

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