

Amazon received more money from UK grants than it paid in corporation tax

Amazon is on a fresh collision course over its contribution to the UK exchequer, after the American internet giant revealed it received more money in government grants last year than it paid in corporation tax in Britain.



Amazon's British subsidiary employed 4,191 people at the end of 2012, and thousands more via contracting agencies Photo: Alamy

By Katherine Rushton, US Business Editor

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Amazon's UK operation generated £4.2bn of sales last year, but it used a subsidiary in Luxembourg to help it reduce its corporation tax bill in the country to just £2.4m in 2012. According to documents filed at Companies House, the company received £2.5m in government handouts over the same period.

The figures have reignited controversy over the tax paid in Britain by American corporations, such as Amazon, Apple, Starbucks and Google, whose executives have been summoned to appear before the Public Accounts Committee on Thursday to clarify previous evidence they gave about their tax status.

Justin King, chief executive of Sainsbury, has complained the current UK tax laws do not create a

“level playing field” for online retailers and their bricks and mortar rivals.

Amazon, like Google and Apple, consistently argue that they operate within the law, and make many other tax contributions to Britain, such as National Insurance payments.

But Margaret Hodge, chairman of the Public Accounts Committee, described Amazon’s tax contribution as “just a joke”.

“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.”

An Amazon spokesman said: “Amazon pays all applicable taxes in every jurisdiction that it operates within. Like many companies, Amazon has received assistance in relation to major investments in the UK”.

The Seattle-based company would not say which investments the UK Government has helped with, but last year it opened a new distribution plant in Hemel Hempstead, creating 600 jobs, promising to open three more over the next two years.

It also took an eight-storey office in London to act as its global headquarters for “digital media development”. The site is one of the linchpins in TechCity, Prime Minister David Cameron’s project to redevelop the area around Shoreditch and Old Street as a hub for technology companies.

The Government is fearful that a severe crackdown on tax loopholes used by global companies could deter them from investing in Britain. Mr Cameron has called for a coordinated international effort to tighten tax legislation.

Amazon’s British subsidiary employed 4,191 people at the end of 2012, and thousands more via contracting agencies, but the company classed it as a service provider to its Amazon EU Sarl business in Luxembourg to reduce its tax bill. The UK business is funded by fees from Amazon EU Sarl, but these are only just enough to cover its operating costs, leaving little in the way of profits to be taxed.

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