

Google, Amazon and Starbucks face questions on tax (Update)

November 12 2012, by David Stringer

(AP)—British lawmakers on Monday accused major multinational companies of aggressive tax avoidance, amid calls by the U.K. government for a global crackdown on firms that seek to evade taxes.

In sometimes bitter exchanges at a three-hour parliamentary committee hearing, legislators questioned Starbucks, Google and Amazon about the amount they pay to the U.K. government in taxation.

Lawmakers scoffed as Troy Alstead, Starbucks global chief financial officer, claimed that the fact the coffee giant had reported losses for all but one of the 15 years it has operated in the U.K. was down to poor performance—and not an attempt minimize its taxes in Britain.

"You have run the business for 15 years and are losing money and you are carrying on investing here. It just doesn't ring true," said Margaret Hodge, head of parliament's Public Accounts Committee.

Alstead acknowledged to the panel that its taxable profits in the U.K. are calculated after royalties paid to its European headquarters in the Netherlands have been deducted. He said that Starbucks had a special tax arrangement with the Dutch government covering its headquarters, but declined to give details.

"Respectfully I can assure you there is no tax avoidance here," Alstead told the panel.

Companies operating in Europe can base themselves in any of the 27 European Union nations, allowing them to take advantage of a particular country's low tax rates.

Alstead insisted that Starbucks was not seeking to mislead investors or tax authorities about its performance in Britain.

"We are not at all pleased about our financial performance here. It is fundamentally true everything we are saying and everything we have said historically," he told the committee.

Last week, Britain and Germany called for the world's largest economies to do more to collaborate to fight tax evasion, particularly in online commerce.

Hodge told witness Andrew Cecil, public policy director at Amazon, that many people in Britain are angered over the low tax rates paid by the retailer.

"Your entire activity is here yet you pay no tax here and that really riles us," she said.

Cecil's claims that he did not know certain information about Amazon or could not make it public infuriated lawmakers.

"The idea that you come here and simply don't answer the question and pretend ignorance— it's just not on, it's awful," Hodge said, calling Cecil a "not serious person."

Matt Brittin, chief executive of Google UK, told the committee that his company picked Ireland and Bermuda as main bases because tax rates were favorable. Brittin denied one lawmaker's accusation that the Internet search giant was breaching its own code of "Don't be evil."

"We comply with the law in the U.K.," he said. "It would be very hard for us to pay more tax here based on the way we are required to structure by the system."

Hodge fired back, saying lawmakers were "not accusing you of being illegal, we are accusing you of being immoral."

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