



HOUSE OF COMMONS

LONDON SW1A 0AA

February 2016

Dear Constituent,

Thanks for contacting me and for relaying your concerns regarding the amount of tax Google pays in this country.

I am sure you understand that Corporation Tax is paid on profits and not revenue, international law dictates that tax is collected where the economic activity that generates those profits takes place.

For example, if a British pharmaceutical company sells medicine to Latin America, it is mostly taxed where those products are created – here in the UK – rather than where the products are consumed.

This applies to Google, who pay the bulk of their corporation tax in the US (about \$3.3bn in the last reported year).

After a six-year audit Google are now paying an extra £130m in back tax on the economic activity they generated here. This back-tax is the money owed on economic activity generated in the UK.

However, Google's contribution to the economy should not solely be measured in terms of the amount of tax paid. Whilst I acknowledge this is important, it also employs 3,000 people, creates numerous well paid jobs and has invested heavily in the UK, which is obviously good for the long-term economic future of the country.

Since the period covered by Google's settlement with HMRC, this Government has led the world by introducing a diverted profits tax to stop multinationals using contrived arrangements to shift profits outside of the UK. I am pleased the Government has also made more than 40 changes to tax law to close loopholes that, quite simply, were happily allowed by old Labour governments and we have introduced a new general anti-abuse rule to deter abusive tax avoidance.

The Government is committed to tackling aggressive tax avoidance and evasion at all levels to ensure everyone pays the right tax at the right time. Avoidance (and evasion) damages the effectiveness of the tax system and imposes additional costs on all taxpayers. Thanks to the changes this Government has made big multinational corporations know they cannot carry on as they have done in the past, and must expect to pay more tax.



Tax evasion and avoidance is something which I have been keeping a close eye on and comes in many forms.

As you may know, I spent five years on the Public Accounts Committee which raised the profile of these issues during the time of the Coalition government and on Thursday 14th January 2016, I led a debate in Westminster Hall on VAT evasion in online marketplaces and the effects this was having on UK based internet retailers.

This issue was first brought to my attention by a constituent who owns and runs a business selling a range of products on online marketplaces. It transpired that thousands of Chinese and non-EU sellers have almost completely taken over eBay and Amazon and are pushing legitimate UK sellers, such as my constituent, out of business, by effectively not charging VAT on the goods they sell online.

HMRC is currently acting on these matters and I believe that we will see some progress on these matters in the not too distant future. So I can quite honestly say to you that when the government becomes aware of tax evasion and aggressive tax avoidance schemes, it investigates and acts.

As I mentioned earlier, tax law in this area is almost completely "international" and the UK has been at the forefront of international efforts to tackle corporate tax avoidance through the OECD to better align the taxation of profits with economic activity. Over 60 countries have been involved in this work, including many developing countries.

I should stress that the majority of individuals and businesses pay their fair share of tax. However, there are some who fail to pay what they owe due to error or a failure to comply with their obligations as a taxpayer, and a small minority who try to evade or aggressively avoid paying the tax they should. I am pleased that the Government will raise at least an additional £5 billion a year by 2019-20 through cracking down on tax evasion and this is in addition to the £7 billion in annual savings during the last parliament.

I hope that this will allay some of your concerns, and helps to assure you that this government takes tax avoidance and evasion very seriously.

Once again, many thanks for taking the time to contact me.

Yours faithfully,

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY