

# **DOES GOOGLE BRIBE POLITICIANS TO GIVE IT FREE GOVERNMENT HAND OUTS AT TAXPAYER EXPENSE?**

Google is now the world's largest private government and it has more power than the U.S. Government

## **Google's worldwide web of tax loopholes: Osborne under fire as Google is set to pay THREE times as much tax in France - even though it employs thousands more people and does more business in Britain**

- **Government accused of agreeing 'derisory' £130m tax deal with Google**
- **Google set to pay £380m in France despite UK being its largest base**
- **French officials refusing to allow sales to be funneled via Dublin not Paris**
- **But HMRC's 'sweetheart deal' backs Google's claim it has no fixed UK base**
- **George Osborne had hailed £130m deal as a 'victory for the taxpayer'**
- **But Downing Street and MPs have distanced themselves from his claims**

By [Martin Robinson, Uk Chief Reporter](#) and [Lucy Crossley for MailOnline](#) and [Jason Groves - Deputy Political Editor, Daily Mail](#)



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Google is set to pay three times more back tax to France than the UK, despite making three times as much money and employing four times more staff in its British outpost (pictured)

The Government was today accused of gross incompetence after agreeing Google could pay £130million in tax even though the web giant is about to hand over three times more in France.

Aggressive French officials are close to getting £380million from Google even though Britain is its biggest market outside the US and employs thousands more people than in France.

Paris tax bosses have refused to accept Google's ploy of funnelling its international sales via Dublin to benefit from Ireland's lower tax rate.

George Osborne hailed the £130million deal as a 'victory' for the taxpayer but critics branded it 'derisory' because Google has made around £6billion in profit in the UK in the past decade.

Yesterday even Downing Street distanced itself from the Chancellor's claims and the agreement is now going to be subject to three inquiries.

Both Google and HM Revenue and Customs are now set to be hauled in front of MPs to explain the deal, after the Commons public accounts committee and the Treasury committee last night launched separate inquiries.

Sources at the National Audit Office revealed they are also poised to investigate the deal.

HMRC officials have taken six years to get the the internet giant to pay back just £130million to cover a decade of back-taxes.

This means they have been taxed at a rate that may be as low as 3 per cent - although the Government is still refusing to disclose what they charged them for 'confidentiality' reasons, minister David Gauke said yesterday.

Experts have claimed the bill should be closer to £200million a year.

Meg Hillier, who chairs the Commons public accounts committee, said it was just a 'cosy deal', adding: 'It beggars belief that they didn't challenge that basic question (of no fixed base). It underlines my real concerns about HMRC not keeping up with the big guys.'

But the French authorities have been aggressively chasing Google for more than 500million euros, furious at the tax avoidance ploy used by the firm, which registered all European sales in Dublin and benefitted from the lower tax rate in Ireland.

'We have a hard time believing that some 150 well-paid salespeople with advanced degrees employed by one particular company in France are nothing more than busboys for Ireland,' a French official said last year, according to [The Times](#). Italy is also reportedly demanding £1billion from Google.

Google uses a complicated web of businesses across the globe to reduce its tax bill and still claims it has no 'fixed base' in the UK despite its plans for a £1billion central London office housing up to 5,000 staff. Currently its thousands of UK employees are split between two offices.



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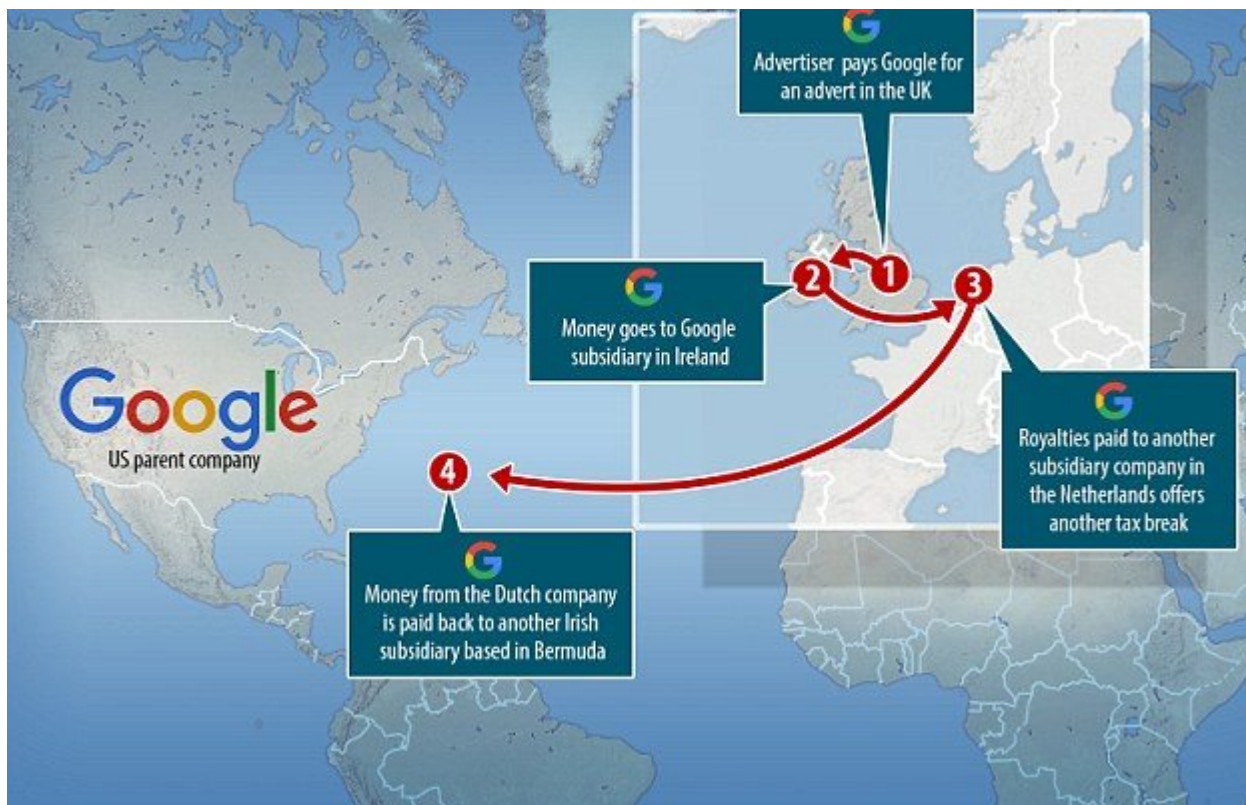
HQ: This is Google's UK reception at one of its central London offices, where thousands are employed, but it insists that it has no 'fixed base' in Britain



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French authorities have been aggressively chasing Google for more than 500 Euros, furious at the tax avoidance ploy used by the firm, which registered all European sales in Dublin and benefitted from the lower tax rate in Ireland. Pictured is Google's office in Paris

## HOW GOOGLE FUNNELS ITS MONEY VIA A WEB OF COMPANIES TO SHRINK ITS TAX BILL



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Web: This is Google's complicated web of holding companies that allows the web giant to reduce its international tax bill. Google US has set up two Irish companies, one of which is based in Bermuda, with a middle company in the Netherlands. The network allows revenue from around the world to be sent back to Bermuda via Ireland and Holland, with their generous tax rates, allowing Google to reduce its tax bill

Google manages to reduce its tax bill by using a set of subsidiary companies across the globe.

The network - nicknamed the 'Double Irish and Dutch Sandwich' - is hugely controversial but totally legal.

Google moved its headquarters for Europe, the Middle East and Africa to Ireland in 2008 to benefit from the country's lower tax rate on profits.

In Britain, its biggest market outside the US, Google is classified as having no 'fixed base' so none of its sales are technically made in the UK.

It means when a British company buys a Google advert for the UK, for example, the money goes straight to Dublin, meaning it pays little tax to the UK Treasury.

After paying Ireland's lower corporation tax rate of 12.5%, international profits are then funnelled via Google Netherlands Holdings, taking advantage of generous tax laws there.

The profits are then sent to Google's main overseas company, another Irish business domiciled in Bermuda - where the corporation tax rate is zero.

This complicated arrangement is explained by experts as the Double Irish and Dutch Sandwich - with the Irish businesses being the bread and the Dutch subsidiary being its filling.

It means that Google's overseas tax rate on all its profits falls to around five per cent when in the UK it would have to pay 20 per cent.

Though this process has been branded 'immoral' by MPs, it is not illegal and Google says it has abided by international tax rules.

The company also says its Bermuda operation does not impact the tax it pays in the UK.

Executives say the reported UK profit margins are far below the group average because most of its algorithms and codes, which drive the company's profits, are developed outside the country.

Google still pays the majority of its taxes in America, but on its American profits only.

Google's sales were valued at £3.8 billion in Britain during 2013 but it paid just £20.4 million in UK taxes that year. Between 2006 and 2011 the company's revenue in the UK hit around £12.6 billion but its corporation tax payments for the period totalled £11.2 million

Its tax set-up allows the business to send UK sales revenue through an Irish subsidiary and legally avoid corporation tax in Britain.

That cash is then funneled via Holland, which offers a tax break too, and on to a holding company in Bermuda, which has a zero rate of corporation tax.

Money from all of Google's international businesses is sent to Bermuda in the same way.

MPs on all sides demanded further action to extract tax from Google and other giant corporations like Apple, Starbucks, Amazon and Facebook that make huge sums in the UK but pay little or no tax.

The Times has also reported that HMRC officials failed to question Google's claim that it had no 'permanent establishment' in the UK.

This enabled the company to avoid paying millions in UK corporation tax, by booking sales through Ireland, with the profits then diverted to Bermuda - one of the world's biggest tax havens.

Britain is Google's biggest foreign market, and the UK wing has four times as many staff as Google France.

Tax expert Steve Lewis, who featured in the BBC Two show *The Town That Took on the Taxman*

where locals took their businesses offshore, branded the situation 'ridiculous'.

He said: 'Google must have been over the moon with how lightly it got off. They probably thought all their Christmases and New Years had come at once.'

'If you look at their turnover for the UK it is eight figures - the money they should pay back should have been around £1 billion, not £130 million.'



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George Osborne, pictured, is facing three inquiries over his deal with Google that will see the internet giant pay £130m to cover a decade of back-taxes

'If a small firm makes an error with its tax return there's no tolerance whatsoever. You're not in any position to negotiate - you have to pay the fine plus interest.'

Mr Osborne has faced a barrage of criticism over the deal with HMRC, which covers money owed since 2005.

And even Downing Street yesterday distanced itself from Mr Osborne's claim that the agreement was a 'victory' for the taxpayer, as Tory MPs queued up to demand further action to extract tax from Google and other giant corporations that contribute little or nothing in the UK.



Treasury committee chairman Andrew Tyrie said tax law had become a 'piece of elastic' that allowed corporations to get away with paying almost nothing.

He said: 'The complexity of tax law is turning what should be a straightforward principle – that everybody should pay the correct amount of tax – into a piece of elastic. For corporation tax the problem is exacerbated by the globalisation of economic activity and any liability to tax that accompanies it.'

Labour said the deal set a dangerous precedent, and asked why ministers were settling for so little, when Italy was demanding £1 billion from Google.

Shadow chancellor John McDonnell said analysis by experts suggested 'the effective rate of tax faced by Google is around 3 per cent' – against the current corporation tax rate of 20 per cent.

Treasury minister David Gauke dismissed the figure, saying Google was paying a higher rate of tax on its profits in the UK. But he flatly refused to tell MPs what the real rate was, or how it had been calculated.

Labour MP Rachel Reeves, a member of the Treasury committee, said the deal was an insult to taxpayers. She added: 'A lot of people are struggling to fill out their tax returns right now – they can't go and have a word with HMRC and say, 'I think I'll just pay £1,000 this year.' They have to pay their fair share.'

The deal with Google announced on Friday covers a period dating back to 2005. Mr Osborne hailed it as 'a victory for the action we've taken'.



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Google has agreed to pay just £130million in taxes dating back to 2005. The amount was branded 'derisory' in light of the fact that the firm racked up sales of £4.5billion in Britain in 2014 alone

Downing Street today played down reports that it was distancing itself from the Chancellor, who had described the deal as a 'victory' and a 'major success'.

'The Prime Minister and the Chancellor are of the same mind on this,' a Downing Street spokesman said. 'This was a good deal. There is no difference in the position - the Prime Minister and Chancellor's view on this is the same.'

## **OTHER GIANTS IN THE DOCK: MAJOR FIRMS AND CORPORATION TAX**

Facebook: The social media titan paid just £4,327 in corporation tax in 2014, despite reporting UK revenues of £105million.

Apple: The US-based technology firm behind the iPad and the iPhone made £34billion in profit during the year to September 2014.

Experts estimate that the UK accounted for £1.9billion of that profit, but the firm only paid £11.8million in British corporation tax.

Amazon: The online shopping giant took £5.3billion in sales from British shoppers in 2014 but paid just £11.9million in tax after announcing profits of £34.4million.

Starbucks: The coffee chain paid just £8.6million of tax over 14 years between 1998 and 2012 when sales totalled £3billion.

But latest company filings show it paid £8.1million in corporation tax for last year on profits of £34.2million.

The spokesman said the tax settlement was agreed with Google by HMRC, adding: 'No ministers were involved in agreeing this deal. It is done by HMRC on an operational basis.'

He added: 'The key point on this is that HMRC is satisfied with the tax due and what it has collected.'

The spokesman said he was aware of 'speculation' that France is seeking more than 500 million euros from Google, but added: 'Clearly at this stage, there's no outcome, so it does remain to be seen how much they get.'

London Mayor Boris Johnson also hit out at the 'derisory' tax settlement, and called for reform of the tax system.

Mr Osborne dodged scrutiny of the deal in the Commons yesterday, preferring to press ahead with a pre-arranged trip to Liverpool with Microsoft billionaire Bill Gates. Instead, it was left to Mr Gauke to deal with the criticism from MPs on all sides.

Tory Anne Main asked why HMRC had allowed Google to avoid paying its taxes for so many years and fellow Conservative Mark Garnier questioned whether the internet giant had broken the law. Mr

Gauke flatly refused to disclose details, citing taxpayer confidentiality. He insisted the deal was good for Britain, and said it provided 'solid evidence' that firms were responding to strengthened rules.

Google's sales were valued at £3.8billion in Britain during 2013 but it paid just £20.4million in UK taxes that year. Between 2006 and 2011 the company's revenue in the UK hit around £12.6billion but its corporation tax payments for the period totalled £11.2million.

It said: 'After a six-year audit by the tax authority we are paying the amount of tax that HMRC agrees we should pay. Governments make tax law, the tax authorities enforce the law and Google complies with the law.'

Revealed: The incredibly close links between Google and Downing Street

David Cameron and the Tories have links to the very top of Google going back decades.

The Prime Minister has enjoyed a special relationship with former Google CEO Eric Schmidt, who made billions making the business into a global powerhouse.

For years Mr Schmidt was on Mr Cameron's business advisory board, which is used as a 'sounding board' on business matters, but the Google executive left in July.

The billionaire has reportedly also offered Mr Cameron on economic policy.



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Former Google CEO and now executive chairman Eric Schmidt chats to Prime Minister David Cameron at a drinks reception - and has in the past advised Cameron on economic matters



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Links: Steve Hilton was David Cameron's policy guru and his wife Rachel Whetstone (together left) was a Google PR executive who worked for the Tories (right with Boris Johnson)

The links do not end there because Steve Hilton, once the Prime Minister's closest political adviser, is married to Rachel Whetstone, who was vice-president of global communications at Google until last year before she moved to Uber.

Rachel Whetstone is a former No 10 aide and was Michael Howard's director of communications when he was Tory leader and Mr Cameron is godfather to her younger son.

Mr Hilton was godfather to Ivan Cameron, the late eldest child of David and Samantha.

Hilton and Whetstone have been called the 'most powerful couple in Britain' while she and Mr Cameron have known each other since starting at Conservative Central Office in their early 20s.

Hilton and Whetstone later bought a Oxfordshire holiday home close to the Camerons.

Last year Mr Hilton, who quit as Mr Cameron's former chief strategist, admitted too many of those at the heart of government go to the same dinner parties and send their children to the same schools.

Mr Hilton warned: 'Regardless of who's in office, the same people are in power. It is a democracy in name only, operating on behalf of a tiny elite no matter the electoral outcome.'

In 2013 David Cameron, accompanied by his wife Samantha and their daughter Florence, went to the wedding of a Naomi Gummer, a senior Google executive with the brief of 'public policy'.

She was previously a political adviser to Jeremy Hunt when he was Culture Secretary in charge of internet regulation – so he was in attendance too.





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Guests: David Cameron and his wife Samantha attended the wedding of Naomi Gummer, right with husband Henry, a senior Google executive with the brief of 'public policy'.



The Hilton/Whetstone axis is not the only relationship between Google and Government.

Eric Schmidt, the former CEO of Google, has long been close to Downing Street and has in the past advised Cameron on economic matters.

In 2006, Mr Cameron travelled from visiting Google in Silicon Valley to Bournemouth to address the Conservative Party conference.

Then in 2010 when Cameron announced a review of Britain's intellectual property laws as the founders of Google have said they could never have started their company in Britain'.

In 2012 it emerged that Tory ministers held meetings with Google an average of once a month.

Official records show that David Cameron met Google executives three times and Chancellor George Osborne four times.

Google has held five meetings with the UK government over the past two years to discuss launching driverless cars in Britain.

It is not just a case of former government policy staff exiting through Westminster's 'revolving door' to Google – it works the other way too.

Tim Chatwin was Mr Cameron's head of strategic communications and had worked closely with Mr Hilton since the start of the Cameron modernisation project. He joined Google after the 2012 Tory conference.

Amy Fisher was once Google's PR chief for European affairs and later bagged a job advising then Justice Secretary Chris Grayling.



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Tim Chatwin was Mr Cameron's head of strategic communications and joined Google after the 2012 Tory conference

## **LABOUR WRITES TO CHANCELLOR AND TELLS HIM: THESE ARE THE 8 QUESTIONS YOU MUST ANSWER ON THE £130M GOOGLE TAX DEAL**

Labour shadow chancellor John McDonnell today wrote to George Osborne demanding more information on Google's tax bill.

In his letter he said that there are eight questions he must answer:

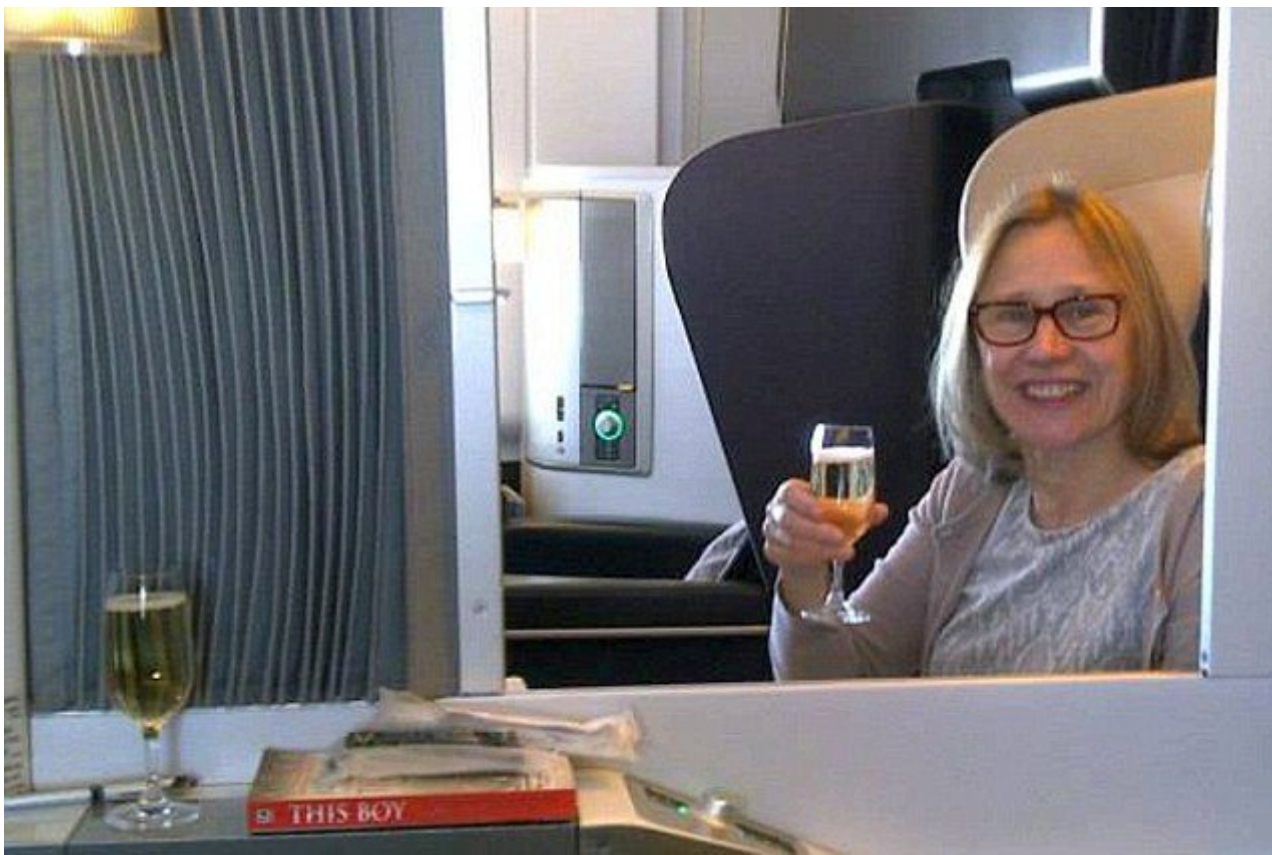
- Firstly, please can you clarify exactly when you were first made aware of the details of the deal with Google? Did you (or any other Treasury Minister) personally sign it off, and were other Ministers involved in the settlement?
- What discussions, if any, did you or members of your private office have with HMRC and with Google representatives about the deal?
- Did HM Treasury and HMRC discuss details of the deal with Number 10 before the announcement was made?
- What is HMRC's understanding of the effective tax rate faced by Google over the past 10 years as a result of this settlement?
- Are you confident that this deal will not undermine international co-operation on tax avoidance, such as the OECD base erosion and profit shifting scheme?
- Can you clarify whether Google is changing the company structures that enabled this avoidance to take place over the past decade?
- What concerns, if any, do you have that this agreement creates a precedent for future deals with other large technology corporations?
- To help ensure HMRC is best placed to address complex issues like this will you now halt the programme of HMRC staffing cuts?

Is the Google sweetheart deal another blunder by HMRC boss Dame Disaster?

Google's £130million 'sweetheart deal' with the taxman could be another blunder by HM Revenue and Customs boss nicknamed Dame Disaster.

HMRC has refused to say who signed off on the Google agreement but Treasury sources have said that the deal is likely to have been signed off by Lin Homer.

It is not the first 'sweetheart deal' agreed with HMRC as her predecessor Dave Hartnett also signed off agreements which saved Starbucks and Vodafone millions or even billions in tax payments.



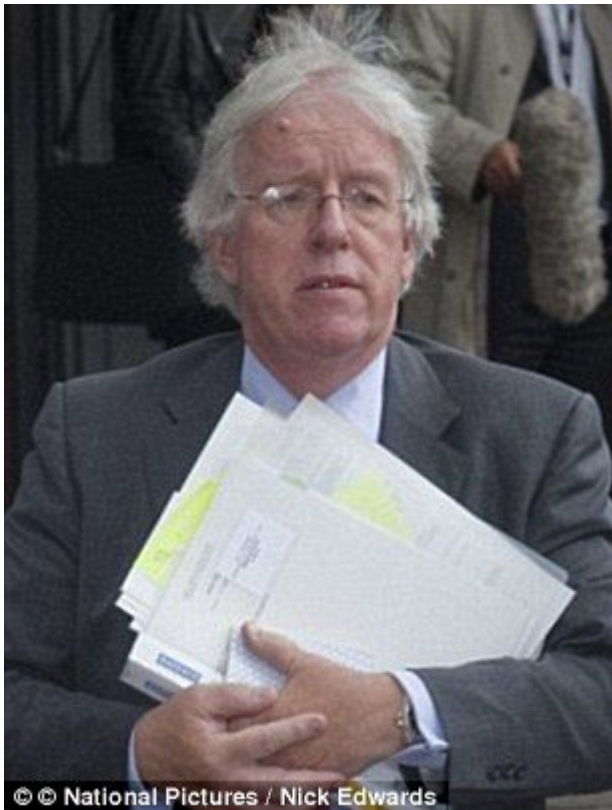
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High life: Dame Lin Homer is pictured here sipping champagne on a plane after an HMRC crisis and as boss it is likely she has signed off the Google deal

An inquiry into Google's tax arrangements started in 2009 when Mr Hartnett was in charge before he left in 2012 and Mrs Homer took over.

Her tenure has been tarnished by a string of blunders and she will stand down two years early in April with a pension worth £2.2million.

Her 35-year career in the public sector has been dogged by a string of scandals and failures.



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Previous HMRC boss Dave Hartnett, pictured, also signed off agreements which saved Starbucks and Vodafone millions or even billions in tax payments.

In 2005, as chief executive of Birmingham City Council, she was caught up in a postal votes scandal, which a judge said would have 'disgraced a banana republic'.

Election judge Richard Mawrey said Mrs Homer, acting as the city's returning officer, had 'thrown the rule book out of the window'.

She went on to become the £200,000-a-year boss of the immigration system, at the time it was branded 'not fit for purpose' by the then Home Secretary John Reid.

During her time in charge it emerged that 1,000 foreign criminals had been mistakenly released, and 450,000 asylum case files were discovered dumped in boxes at the Home Office.

She later became head of the now defunct UK Border Agency, where she was criticised by MPs for a 'catastrophic leadership failure'.

Despite the criticism, she was rewarded with a new post as head of HMRC.

At the time of her appointment, in 2012, the Home Affairs Committee said it was 'astounded' that she was being promoted to become the chief executive at Revenue & Customs adding: 'The status quo, in which catastrophic leadership failure is no obstacle to promotion, is totally unacceptable.'

Recently pictures emerged of her as she raised a glass of champagne in first class, this is the head as she jetted off to America as her department floundered.

Days before her summer holiday last July she announced that 18million of the 60million annual calls to the HMRC helpline were never answered by staff.

Dame Lin was forced to set aside an extra £45million to improve customer service because so many calls were never picked up or were met with a busy tone.

She said at the time: 'Despite our best efforts, our call performance hasn't been up to scratch and we apologise to all those customers who have struggled to get through to us'.

But instead of staying in the UK, photographs from her husband Ian's Facebook account reveal they still went to America for a summer break.

## **THE BILLIONAIRE GOOGLE BOSSES WHO CLAIM TO BE PAID AS LITTLE AS \$1**



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Larry Page, 42, Google co-founder and chief executive at Alphabet - Google's parent company

Salary: \$1

Worth: £36.8bn

Computer scientist and entrepreneur Page (right) co-founded Google Inc with Sergey Brin - his friend at Stanford University - in 1998, when they developed a search engine that listed results according to

the popularity of the pages as part of a research project.

Both men became billionaires in August 2004 when Google held its initial public offering.

Page stepped aside as CEO in August 2001 in favour of Eric Schmidt, but re-assumed the role in April 2011. Last July he announced his intention to step aside a second time, in order to become CEO of Alphabet.

Documents filed with regulators in April last year also disclosed that Page and the company's other founder, Sergey Brin, limited their 2014 pay to \$1 each, as has been their practice for years.

In 2011, he splashed out \$45m on his own super yacht - but unlike many moguls, he bought his yacht second-hand.

Last year, a survey by review site Glassdoor named him as the highest-rated chief executive in America.



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Sergey Brin, 42, Google co-founder, Alphabet President and head of Google X

Salary: \$1

Worth: £36bn

Born in the Soviet Union, Brin (right) and his family moved to the US when he was six years old. He met Google co-founder Page in 1995 after he went to Stanford University to study computer science,

and the pair set up what was initially called BackRub would become the internet giant as part of a project.

Like Page, Brin takes a salary of just \$1, but his wealth is estimated at £36bn.

Brin is also an investor in Airship Ventures and a private space travel company, Space Adventures. He became a benefactor for research into Parkinson's disease, after his mother, Eugenia was diagnosed with the disease. He also learned he has a genetic mutation increasing the odds that he he too will get it, and in February 2014, Brin and his now ex-wife Anne Wojcicki donated \$53 million to Michael J Fox Foundation.

After the couple's separation in 2013, Wojcicki remained in the couple's \$7million Los Altos home with their two children.



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Eric Schmidt, 60, Executive chairman at Alphabet

Pay/bonuses: \$109m

Worth: \$9billion

Schmidt (right) was brought in as Google's CEO in 2001 by creators Sergey Brin and Larry Page, who relied on his expertise to turn their modest internet search engine into a global media powerhouse.

Also known for his colourful private life, Schmidt is among the world's richest people with an



estimated fortune of \$9 billion, according to Forbes.

He reportedly owns a \$72.3million superyacht, a \$15 million penthouse in Manhattan, a home near Google's Silicon Valley HQ, and a \$38 million estate in Montecito, California

In April last year it was revealed he had earned nearly \$109 million in that financial year while the company's stock slumped. Most of this consisted of stock valued at \$100 million - the largest stock package that Schmidt had received since 2011 when Google Inc. awarded him a bundle valued at \$94 million at the time he relinquished the CEO's job to company co-founder Larry Page.

Schmidt also pocketed a \$1.25 million salary, a \$6 million bonus and perks valued at nearly \$1 million. His total pay last year soared by more than five-fold from 2013 when his Google compensation was valued at \$19.3 million.



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Sundar Pichai, 43, Google chief executive

Pay/Bonuses: \$50m

Worth: \$150m

Long-hailed as a rising star in the company, Pichai (right) was promoted to Google's chief executive last August as part of the firm's radical shake-up and Alphabet rebrand.

Twitter tried to poach him in 2011, and he was slated to become Microsoft CEO in 2013, but stuck with

Google - where he has ascended to the top in just over six years.

The 43-year-old married father-of-two (one son, one daughter) was born in Chennai, India, and reportedly did not own a telephone until he was 12.

Pichai moved to America after his bachelor's degree in engineering from the Indian Institute of Technology Kharagpur.

He went to Stanford for his MSc, the University of Pennsylvania for his MBA, then worked in business management and engineering before joining Google in 2004.

At Google he was one of the driving forces behind Gmail and Google Maps, and has headed up the development side of Chrome and Chrome OS.

He is widely described as 'nice', 'mild-mannered' and warm'.

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