

# Amazon's - adding Â£35 million to the UK's tax gap

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As [the Guardian has noted](#):

*Amazon.co.uk, Britain's biggest online retailer, generated sales of more than £3.3bn in the country last year but paid no corporation tax on any of the profits from that income — and is under investigation by the UK tax authorities.*

Regulatory filings by parent company [Amazon.com](#) with the US securities and exchange commission (SEC) show the tax inquiry into the UK operation, which sells nearly one in four books sold in Britain, focuses on a period when ownership of the British business was transferred to a [Luxembourg](#) company.

The SEC filings, highlighted by Bookseller magazine, show that in the past three years, Amazon has generated sales of more than £7.6bn in the UK without attracting any corporation tax on the profits from those sales.

HM Revenue & Customs (HMRC) refused to confirm it was investigating Amazon.co.uk, and its inquiries could be a routine audit. But Amazon's tax affairs are being investigated in the US, China, Germany, France, Japan and Luxembourg.

I should add I am quoted in the story - but for the record, this is Ian Griffiths story, not mine.

But let me flesh it out a bit. [Amazon's accounts are here](#). The 2010 filing shows world wide sales of \$34.2 bn. The UK sales are reported to be between 11% and 15% - so let's call it 13%. That's \$4.4bn. That's at HMRC exchange rates just over £2.8 billion. The profit rate overall was 4.4%. So UK profit could have been expected to be £125 million and tax due at 28% £35 million.

In fact the Guardian reports that UK recorded sales were less than £150 million and profit and tax were negligible. That's because all the sales came from Luxembourg - the UK merely billed Luxembourg to ship the orders Luxembourg supposedly handled.

Now we all know that's nonsense: the order will go straight to Swindon and be shipped

from there (now Jersey is out of the scene) and Luxembourg's involvement will be minimal - as the number of people in each location as reported by the Guardian shows is inevitable.

How can this happen? Because the UK's 'open for business' policy is to not ask questions on tax. We'll let a multinational do what it likes in its structuring to avoid upsetting them - including letting them say that their sales really don't take place here when they very obviously do - dammit, they're even accounting for VAT on them here but still say they're not in the UK.

And then HMRC have the gall to say the corporate tax gap on avoidance is tiny - [maybe £1 billion](#). I say [it's £12 billion](#). That's because I start with the economic reality of the accounts - as Ian Griffiths on the Guardian did. HMRC start with the tax returns - which are submitted after HMRC have allowed whole rafts of profit to be swept aside.

No wonder HMRC's data is laughably wrong - it turns a blind eye to the reality of the abuse that is happening. And it's time that stopped, in the interests of us all.