

Microsoft's potential tax avoidance - a more realistic ...

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As [I have noted earlier today](#), the Mail put out an estimate of £159 million of tax avoided by Microsoft in the UK today. In my blog I noted this was not my calculation (the main story and number were published before I spoke to any journalist or knew the Sunday Times had also looked at this issue) and that I thought it looked high.

I now confirm I do think it looks high.

I have looked at Microsoft's 10-K accounts for 2012 ([available on link from here](#)). The turnover to Jun 2012 was \$73.7 bn and the profit pre tax was \$22.26. That's a margin of 30.2%.

Tax was declared of \$5.289bn, of which £2.388bn was in the US, \$1.947bn was international but not specified and \$0.954bn was deferred.

Now it's been reported that Microsoft has a UK estimated trade turnover of £1.7 billion but according to reports only £663 of this goes through Microsoft UK, the rest being billed from elsewhere. The suggestion is that Luxembourg is used.

If the UK sales are really £1.7 billion then the UK profit margin should be, assuming homogenous margins (and there is no reason not to, in my opinion) about £513 million.

Tax due on that would be about £122 million.

It has been reported that £19 million was paid.

That would seem to suggest tax saved of £103 million, and not £159 million, which looks like a journalists error.

If true, that scale of avoidance remains considerable and helps explain why Microsoft has an overall tax rate of less than 20% compared to the 35% (or more) US tax rate. The 10-K implies the overseas rate was under 14% and admits it was low due to making sales through Ireland, Puerto Rico and Singapore, all clearly chosen for

their low tax rates. But I think the record needs to be put straighter than what appears to be an over-estimate at £159 million.