

The Google hearing showed big business tax is not now b...

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I have posted twice already on the Public Accounts Committee (PAC) hearing on Google today, [once to anticipate it](#), and again [to summarise some details of what was discussed](#). This blog is different: it's a reflection.

What did we learn from today's PAC hearing, since these hearings have now become so pivotal in forming opinion on tax avoidance in the UK, and elsewhere.

The first, and perhaps over-riding impression, is that the law is an ass. When the permanent secretary of HM Revenue & Customs can say "We understand more fully what the public think surprising" then there is something wrong with the law. Margaret Hodge is hated by the tax profession for supposedly getting tax wrong. But she doesn't. What she has helped expose is that the law on how multinational corporations are taxed is absurdly inappropriate and can lead to situations where something that is very obviously one thing can be taxed as another. So, in this case what is glaringly obviously a UK business making sales in the UK to UK customers is not taxed here. If that is not a farce then nothing is.

Second, what we learned is that Google, Ernst & Young and HM Revenue & Customs are all willing to use any amount of sophistry to deny that all are taking part in a giant game to pretend that this is acceptable, when it clearly is not. The language all used did in various ways ask us to suspend our disbelief, and we will not. Astonishingly Google went furthest in doing so. They admitted their customers think they're being sold to by a UK workforce who think they are selling to them and yet Google say that's not true, and there is no sale. The result is that they say they are selling into the UK and not in the UK and as such there is no permanent establishment in this country - which is the core of what this is about (although HMRC and Ernst & Young tried to pretend it was more complicated than that). But all this is, candidly so obviously an act of deception on Google's part it is absurd. I could understand Google doing that, but this is the company that says it "does no evil" proving that Schmidt's "we're capitalists" clearly excuses evil after all.

Third, Ernst & Young did themselves and the profession no good at all. They talked

"hypothetically" and so looked shifty from the start and if the impression left at the end was that they would do whatever was needed to get round the tax rules whilst working within their own ethical codes, which presumably say that is OK, then they'd do it. It's not that their evidence was right or wrong. Most of the time it was just evasive. That confirmed all most would need to know about the complicity in these structures.

Fourth, H M Revenue & Customs were as shifty. It's no good saying "we get our judgements right" (when within seconds the evidence put up in support of that claim could be, and was, shot down by a committee member) or that this is an international issue on which work was being done, or even claiming that the public just have to understand that what is inexplicable is right. That's not only unacceptable, it's absurd. Lin Homer should have been saying that the result was wrong. It was legal, but wrong. And that as a result all effort was being put into international reform but if that failed (as is entirely possible) domestic measures would be taken to challenge the issue. Instead we got no such thing at all. We were asked to believe they were using best efforts, but we can see all too obviously based on the evidence that they don't. If she doesn't know that she should not be in the job. And if she does not realise excusing the inexcusable undermines tax collection elsewhere then she knows nothing of the psychology of tax. This was the most lame performance. The only shame was that the committee were tired by then and did not challenge her on what will happen when the international efforts do fail.

Fifth, we were left with the distinct impression that HMRC is not willing to challenge Google. They claimed they won 86% of all cases they take. They failed to mention how few there are and that they only take ones they can win.

So, what impression were we left with?

Candidly, of a company that does not tell the truth because it asks us to believe what is not credible. And of gullible auditors. But most of all of a tax authority that does not want to take on Google, that is not angry that it cannot collect tax and is not demanding the tolls to let it do so and of an authority that will make excuses for inaction on its part.

In short, we have a tax system where those in authority admit they cannot or will not challenge those who are more than willing to abuse the rules that are obviously wholly unfit for purpose, and who do so with the active connivance of the tax profession.

You could say that did not change much, but I think it did. It showed that the truth no longer matters to these people: all of them showed that.

And that is profoundly worrying. Because tax is based on relationships of trust and very obviously big business is not now being taxed on that basis: it is being taxed on the basis of collective deception, and that strikes at the very heart of the system.