

Labour calls on National Audit Office to intervene on G...

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I noticed this letter on my Twitter timeline last night:

Writing to the National Audit Office, Seema Malhotra, Labour's Shadow Chief Secretary to the Treasury, said:

Dear Mr Morse,

I am writing to you with regards to the tax settlement between HMRC and Google UK that was announced in the media on Friday 22 January.

Today the Prime Minister said during Prime Minister's Questions that "HMRC's work is investigated by the National Audit Office".

I write to ask if the NAO will investigate the process by which HMRC agreed the settlement with Google UK for tax owed between 2005 and 2015?

This process has taken over six years, and the outcome appears to have resulted in an agreement to pay a very low effective tax rate. This has caused understandable concerns about the impact on our public finances. Tax revenue not collected is revenue foregone — this has important implications for the funding of public services.

Many Members of Parliament from all parties are concerned that HMRC appear to have accepted Google UK's argument that the only economic activity that Google UK undertakes in this country - where it asserts that it does not have a permanent establishment — is sale of adverts, not their actual display or use.

This is despite the fact that the company provides advertising for UK businesses on a website that is explicitly UK-focussed and that most of the revenue that Google UK earns is entirely dependent on people in the UK clicking on these adverts. To members of the public this would suggest that the revenue is based on UK activity and should be taxed in the UK.

By reaching this agreement, HMRC appears to accept that the revenue Google UK is

generating in the UK can continue to be “booked” in Ireland, where it allocates the profits for tax purposes, rather than UK.

In addition, I write to ask if the NAO will investigate whether the level of cuts that HMRC has been subject to since 2010, and the numbers of specialist staff has impacted on its ability to negotiate fair tax settlements with multinational corporations such as Google.

Yours sincerely,

Seema Malhotra MP

I would have gone further, but I think that's a useful request right now that needs to be acted upon, in my opinion.