

Amazon: setting the record straight

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The right-wing, anti-business having to pay their fair share of tax brigade were out in force on the blog yesterday. They were incensed by my comments in a Guardian article in the amount of tax Amazon paid last year, [which I quoted yesterday](#).

I have to admit I have little time for these dinosaurs. I use the term with care: they subscribe to a form of groupthink that attacked tax justice, corporation tax reform and country-by-country reporting a decade ago on the basis of three logics.

The first was that tax avoidance was good for shareholders and so society. Even big business in the USA has formally abandoned this position now.

The second was that transparency is bad. This ignores one of the most basic tenets of so-called free-market economics which makes clear that transparency is a requirement if monopoly abuse is to be avoided. Their opposition to transparency puts them firmly in the side of abuse then.

Third, they ignore the fact (and fact it is) that the only justification for multinational companies is that they are, supposedly, better allocators of resources than the market itself. That suggests that either the claim that Amazon has been loss-making in Europe for well over a decade whilst making good margins in the States is indication that they're a crap company at allocating capital or that the accounts presentation is misleading. And we know full well that misleading accounting has been a major feature of tax avoidance activity (the whole of the Base Erosion and Profit Shifting Initiative of the OECD is essentially about it) hence full disclosure being demanded by country-by-country reporting, this last suggestion is entirely reasonable and requires none of the hysteria that this group of commentators have generated.

Fourth, and quite absurdly, they seem to think the Guardian article reflected all I said and was under my control. The naivety is quite staggering.

So let me patiently explain my logic.

Amazon publishes partial data. We do not have full CBCR for it. So we do not know what

is really going on within its group. That was my main point, made to the Guardian.

In the absence of full country-by-country reporting data, which we know that they are now legally required to have, we are entitled to ignore their partial data and the claims that they make about it, which we have no reason to think are the complete picture, which complete picture we know they are in possession of and choose not to publish for reasons we can presume to be in their best interests and so not ours.

We must then appraise what they do using the only reliable data we have.

We know their global accounts.

We know the UK total sales figure: they publish it.

We can presume - because economic theory tells us that this is what a company will seek - that they expect equal returns on capital across their portfolio unless they explain to the contrary, and as far as I know they don't explain in that way.

So we can assume UK profit is actually proportional in real impact, regardless of where recorded, to global profit.

That would imply a bit over £500 million of UK profit in 2018 at reasonable exchange rates.

And so tax should be about £100 million.

And it isn't. It's much less.

Now much less might be right. But, and I stress the bit, only if they explain why. In full. With logic as to why they continue to support loss making operations when it would seem utterly logical for them to retreat from Europe as they would make more by doing so. Shareholder capitalism would require nothing less.

What I am saying then are three things. One if publish. The second is explain. The third is let us decide. These are the principles of all good governance codes, so there is nothing odd about that.

And in the absence of opportunity we'll decide based on well-reasoned heuristics, which is what I have done.

Those who protest appear to get none of this.

But then they're trolling for a lost cause. And that's why I won't be letting their abusive style of commentary appear in response to this post. You have been warned.