Lawmaker Accuses Google of Dodging Taxes

DANICA KIRKA, Associated Press

London (AP) — An influential committee of British lawmakers accused search giant Google of dodging its taxes on Thursday, issuing a scathing report that said the U.S. Internet company took on highly contrived arrangements serving no purpose other than to avoid paying its fair share.

The report came after testimony by Google Vice President Matt Brittin, who tried to persuade members of parliament's Public Accounts Committee that his company was transparent and fair. Committee chair Margaret Hodge rejected arguments that Google's advertising sales take place in Ireland and not the U.K.

"Google brazenly argued before this committee that its tax arrangements in the U.K. are defensible and lawful," she wrote, adding that the "argument is deeply unconvincing and has been undermined by information from whistleblowers, including ex-employees of Google, who told us that U.K.-based staff are engaged in selling."

Hodge said the government needs to act to shut down loopholes.

"The company's highly contrived tax arrangement has no purpose other than to enable the company to avoid U.K. corporation tax," she said.

Google countered on Thursday that while it welcomed the call to make the system simpler and more transparent, the company was honoring the law.

"As we've always said, Google complies with all the tax rules in the U.K., and it is the politicians who make those rules," the company said in a statement. "It's clear from this report that the Public Accounts Committee wants to see international companies paying more tax where their customers are located, but that's not how the rules operate today."

Britain is in tough economic times, struggling with austerity measures that have led to cuts in welfare programs, public-sector jobs and government spending.

Like several other multinational corporations, including Amazon, Facebook and Starbucks, Google's complex corporate structures and disproportionately low tax bills have drawn the ire of a public facing one of the worst economic crises since the Great Depression.

Google has paid less than 0.1 percent of its billions in U.K. revenue back to the government in tax. In the first quarter of this year, it made $1.3 billion in revenue from the U.K., according to a Google release. The company argues that the overwhelming majority of sales actually occur at the company's European head office in Dublin.

The location is important. In Ireland, the corporate tax rate is a bargain-basement 12.5 percent.

An investigation by the Reuters news agency cast doubt on those claims, and the committee asked to speak to Brittin for a second time.

Brittin acknowledged that Google employed "people with sales skills," but insisted that those doing the sales are in Ireland.

Hodge rejected the characterization.

"Google's reputation has been damaged by these revelations of aggressive tax avoidance," she said. "That damage will not be repaired until the company arranges to pay its fair share of tax in the country where it earns the profits from the business it conducts."

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