Airbnb and eBay paying virtually no tax in the UK

By Margot Miller
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Two of the world's largest corporations, Airbnb and eBay, have paid virtually no tax in the UK.

Last year Airbnb Payments UK paid a derisory £188,000 in taxes to the UK Treasury—£8,000 less than in 2015. This was despite collecting £657 million in rents and making a pre-tax profit of £960,000.

Airbnb Payments is one of two UK subsidiaries of the web-based multinational Airbnb. The other subsidiary, Airbnb UK, which markets the web site for British consumers, did not pay a penny in tax, even though its pre-tax profits amounted to £463,000.

It evaded paying tax quite legally, by issuing each of its employees with shares that are tax deductible, thus shifting profits away from taxable income.

Airbnb links travellers and holidaymakers in 65,000 cities with landlords/homeowners, undercutting hotels and bed and breakfasts. Taking a commission from landlords—3 percent for each booking and a 6-12 percent service charge from guests—it is a highly lucrative business. The company has mushroomed since it was founded in San Francisco in 2008, so that today it is valued at $24 billion and is planning to diversify into commissioning tours.

The company has been accused of driving up rents and contributing to housing shortages, as private landlords can generate bigger rental income from short-term lets. This led to protests earlier in the year in Barcelona, Spain, where 3,000 people are homeless.

Internet auction giant eBay managed to massively avoid paying tax, causing its US account managers to boast of £233 million in tax savings. While eBay's main UK arm raked in profits of £7.7 million from advertising and marketing, its tax bill came to £1.6 million.

Fees charged for web site listings, however, were booked through Luxembourg and Switzerland, so that out of £1 billion of sales last year in the UK, only £200 million were shown on the books for UK tax purposes.

This is the latest in a growing list of high-tech giants revealed to be carrying out similar operations. Their kid gloves treatment by the authorities is in stark contrast to ordinary taxpayers, who face severe penalties if they fail on their tax bills.

While profits soar to exponential heights, these corporations engage in myriad complex scams to evade paying even the minimal and ever decreasing corporation tax rates taxes levied by governments.

Last week a report by the Organisation for Economic Co-operation and Development and the G20 revealed that laws permitting companies to shift profits to tax havens meant that between $100 billion and $240 billion tax revenue was lost annually—accounting for up to 10 percent of global tax revenues.

This vast amount could resolve much of the world's social ills. According to US-based global finance company, Goldman Sachs, it would cost about $175 billion per year to end extreme poverty worldwide in 20 years.

The European Commission is currently investigating Amazon, Google, a division of the Fiat motor company, Starbucks and Uber over their tax arrangements with EU states.

The commission recently ordered Luxembourg to reclaim £224 million from online retailer Amazon over a concessionary tax deal it made with the company, following a three-year investigation. At the time the deal was struck in 2003, the prime minister of Luxembourg was Jean-Claude Juncker—now president of the European Commission.

Last year Google paid the Italian authorities €306 million to end a criminal investigation into its decades-long tax avoidance practises. This amounts to small change for parent company Alphabet, worth $26 billion and growing.

The usual corporation tax rate in Ireland is 12.5 percent—less than half the European average and nearly a third the US rate of 35 percent—though the Trump administration is in the process of substantially lowering this. Corporation tax is levied in the UK at 19 percent, falling to 18 percent by 2020.

In 2014, the social network giant Facebook paid £4,327 to the UK treasury. This was less tax than an average Facebook employee earning an annual salary of £26,000, who would pay £5,392 in tax and insurance.

Last January, Facebook reported a 34 percent increase in profits from the previous quarter, up to £462 million. Total profits for the year amounted to $2.9 billion, double the profits amassed in 2013.

Facebook paid share bonuses worth £96,000 to each of its 362 UK employees, enabling it to register a pre-tax loss of £28.5 million loss with the Treasury.

Another way Facebook UK avoids tax is by billing advertising customers via Facebook Ireland Ltd. Facebook Ireland Ltd makes little profit on paper because it makes payments to Facebook's parent company in the US and royalty payments to Facebook Ireland Holdings, which owns the rights to use of the platform.

Prior to this, an EU investigation into Starbucks uncovered that in the 14 years the Seattle-based chain has been operating in the UK, it has only paid £8.6 million in corporation tax. Since being exposed, fearful of customers boycotting its products, the company has promised to pay the Treasury additional amounts of corporation tax, but this will be just £20 million in each of the next two years.

The car service company Uber is using UK and EU tax loopholes to avoid paying VAT (value added tax). It does this by treating its 40,000 UK drivers as self-employed workers, i.e., separate businesses that are too small to qualify for VAT payments. As a result, the approximate tax avoided for 2015 was £20 million.

Uber drivers, who have no employment rights, have reported earning as little as £5 an hour after expenses.

This month, Transport for London made the announcement that the company's minicab driver's licence would end in September, unless it appealed. However, if Uber drivers lose their jobs they face destitution, as many have accrued debts to pay for the new cars demanded by Uber as a condition of employment.

The EU Commission has estimated that Fiat has avoided tax bills of €20 million and €30 million in the last three years in deals with Luxembourg authorities.

The super-rich continue to avoid taxes. In 2009, Her Majesty's Revenue and Customs (HMRC) set up a specialist unit to chase up £2 billion in missing tax revenues, following the public outcry after the release of the "Panama Papers" in 2016.

The Papers consisted of 11.5 million files, leaked from the database of the world's fourth biggest offshore law firm, Mossack Fonseca. They revealed the many nefarious operations of the rich, who use offshore tax havens to protect their personal fortunes.

Since 2009, while total UK tax receipts have increased, the share paid by the super-rich actually fell, in 2015, by £900 million. As wealth inequality widens even further, the bottom 90 percent of society are proportionally being asked to pay far more.

At the beginning of the year UK Prime Minister Theresa May said that local authorities, which provide essential services, could increase council tax by up to 6 percent to offset cuts in central government funding.

Governments today exist only to offer transnational corporations the best conditions to reap vast profits. Last year the EU's competition authorities ordered US technology giant Apple to pay the Irish government more than €13 billion euros in back taxes. The California-based company had reported its Europe-wide profits in shell companies in Ireland, after sealing a sweetheart deal with the Irish government to pay virtually no tax—just 0.005 percent in 2014 and an average rate of 1 percent over 25 years.

Earlier this month it emerged that Brussels is considering court action against Ireland over its failure to collect the billions it is owed by Apple.