Avoid the tax? Face the Commission.

John Smith

Competition is required to ensure that the consumer is given good value for money with respect to the services or goods that said company provides. However, there must be rules that all companies, and indeed Member States in the arena of competition (being the Single Market) ,must comply with. Without these rules, there would be a race to the bottom in terms of corporate taxation between the Member States – which would prevent fair competition.

Slapping Amazon

In 2014 Amazon had restructured the way in which it conducted its operations in Europe, this put it initially outside the authority of the European Commission. Which then allowed Amazon to move it's profit from the main operation into a holding company that isn't subject to tax; thus creating a situation where it paid 4 times less tax than other local companies.The Commission then opened an investigation and concluded that the Luxembourg tax rulings represented illegal state aid to Amazon, and ordered that a €250 million fine be paid.

Tackling Google

Brussels issued Google with the largest fine in the Union's history of €2.42bn, with the Commissioner in charge of competition policy stating that it had "abused its market dominance". Google entered the price comparison market in 2004, where revenue relies on large numbers of people using the service to find the best deals online for certain products. However, Google took advantage of the fact that it controls around 90% of the internet search market in the European Economic Area countries by giving its own price comparison service prominent placement within the search engine making it easier for a user to use its service rather than use competitors.

However, Google not only gave its own service prominent placement, but also took action against its competitors by essentially 'demoting' the search results of competitors that provide the same service. This was done through using its near monopoly in the internet search industry.

Google has been given 90 days to comply with the ruling of the Commission, or face additional penalty fines of up to 5% per day of Google's parent company's (Alphabet) world turnover.

Taking Apple out with an axe

The Commissioner for Competition, Margrethe Vestager's tenure of the directorate shows she is no push over. The Commission ruled in 2016 that Apple has not paid around €15bn in tax over the last two decades, and ordered that the Irish government recover this unpaid tax. To put it into context, the Commission found that Apple (while trading under shell companies) was given the ability of having an effective tax rate of 0.05% in 2011, moving to the diabolically low level of 0.005% in 2014 (while the standard corporate tax rate was 12.5%). This was only possible because of tax rulings that were issued by Ireland to Apple, the first being in 1997, and the second being in 2007 which superseded the first.

Moving onto 2017, Ireland has still not attempted to recover the unpaid tax that Apple owes and as such the Commission has made the move to take the Government to the European Court of Justice.

Final words

I would say that these instances of avoiding paying the proper tax, or even being given illegal state aid in ensuring that minimal tax is paid goes to the heart of the way that large multinational corporations are governed. This culture of profits before everything else is what needs to be changed, as there would be clear ramifications for a citizen avoiding their income taxes likely to be recovered by the relevant tax collection authorities through judicial action. This is why the Commission is required to have regulatory authority over Member States on issues which relate to the fairness of the internal market.

The arena of competition must allow all companies large, medium and small to be able to compete against each other in a way that is fair and conducive to giving the consumer the widest possible range of choice. Yet it must be acknowledged that governments play an extremely vital role in the tax regime of a given country, and by short-changing the taxpayer it leads to an inevitable loss of corporate integrity. Finally, the unacceptable state aid in which Ireland and Luxembourg gave to large multinationals prevents this arena operating on the principle of fairness; where the rules are equal to all. Thus, the Commission has acted properly in ensuring that the European taxpayers are not taken advantage of.