



# A TAXING ISSUE



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The recent furore over Google's settlement of its corporation tax payments in the UK have highlighted the way that the public's perception of a powerful nation state is just no longer the case.

The rise of truly global corporations, providing services rather than physical products, sometimes delivering them through third parties and aided by communications technologies that no longer recognise national borders, has meant that individual countries are now impotent in taming or indeed even influencing these companies. Companies such as Apple, Amazon, the large coffee retailers and Google have wealth exceeding that of a whole host of countries, which in itself creates a new paradigm.

Additionally, countries claim indignation and pander to public opinion and yet do everything they can to attract inward investment from these companies, including a race to the bottom in corporation tax rates to compete with their neighbours. Indeed as Google says, "Governments make tax law, the tax authorities independently enforce the law and Google complies with the law," so one can hardly blame them for finding the most efficient solution and providing the best shareholder value. Alongside this, the public at large clamour for these products and services as

they become intertwined with their daily lives, for example most teenagers in the UK watch online video content in preference to live TV.

The rapid rise of these businesses and the acceptance and usage of their products seems to grow exponentially. Amazingly it's only 9 years since Apple announced the iPhone.

This pace of change as well as feeding the growth and power of these companies is also their Achilles heel. Much of the debate in 2016 will be whether the Apple growth miracle has reached its zenith. I must admit I was surprised how dependent Apple is on iPhone sales contributing over 60% of revenues. One can see how the introduction of new products is key to their future. With Amazon making drones and rockets and Tesla making rockets and rapid transit "tubes", there are lots of rumours around an Apple car becoming a reality. It's interesting how these businesses are moving back toward physical products.

Of course these businesses can decline as fast as they can grow. There are many businesses of the new age that have come along, achieved market dominance and then almost disappeared without trace. The recent closure of "Friends Reunited" was an example of this. A company basically obliterated by Facebook.

For nation states to gain some grip and

control on these companies perhaps more joined up thinking in the trading blocks helps. Large corporations do sit up and listen when the EU or USA take them to task, which may be the case with tax regimes shortly. Anti-trust or anti competition legislation can certainly hurt and some will remember the "Bundled Internet Explorer v Netscape" legislation which stopped the then all-conquering Microsoft in its tracks.

Of course in a really competitive market economy the consumer decides the fate of these mega-corporations. The consumer will look at price, value and quality of service. More importantly they will also look at the values of these corporations and decide where they wish to spend their money. One looks at the VW scandal and now the revelations of how Tesco has treated its supply chain, charging fees to suppliers just to be "in the game", to see how this influences consumer choice.

I suspect that these companies are well aware of the importance of their brand and have risk management of it at the top of their agenda, so perhaps we will see some different approaches in the not too distant future and fewer negative headlines. If not, there are bound to be some very aggressive challengers after their business.