

Tech companies and the response to Covid-19



9th April 2020 by [George Turner](#)

As governments around the world struggle to deal with the outbreak of Covid-19 our tech companies are keen to show that they are playing their part too. Over the last two weeks there have been a number of announcements from the world's largest tech companies setting out what they intend to do to help people through the current crisis. In total, as of 8th April, we have counted that eight companies have donated a total of \$1.2bn in cash and in kind to counter the impact of the coronavirus. They

range from an \$800m package announced by Google (over 50% of the total), to free use of software for coronavirus researchers from Nvidia.

But how generous are these donations? Firstly, it should be stressed that many tech giants are not experiencing the same dread economic consequences other industries are suffering. With many shops forced to close, the retailers that can are moving online which will benefit online advertising providers such as Google and Facebook. A massive shift to homeworking will surely benefit companies like Microsoft, and online marketplaces have seen large increases in traffic. Amazon announced last month it will hire 100,000 extra staff in the United States to handle the surge in demand caused by coronavirus.¹

More importantly, these donations are peanuts compared to the amount of money these companies have squirrelled away in tax havens over the years, depriving governments of tax revenues.

Until late 2017, when the US instituted wide ranging tax reform, US headquartered companies accumulated vast amounts of cash in tax havens.

In the tax world, there is some debate about whether this cash represented profits made outside the US, in market jurisdictions such as the UK, or US profits. Our research, which has looked at detailed US corporate filings, shows that as far as the companies themselves are concerned, the profits accumulated in tax havens are non-US profits.²

These stockpiles of cash came from profits made by US companies on sales of their products around the world. Using a complex series of transactions, often involving royalty payments or internal financing structures, profits were eliminated in the countries where these sales were actually made and transferred offshore to countries like Bermuda with a 0% corporate tax rate. The cash could not be transferred onto the United States, because untaxed foreign profits returned to the US would need to be taxed at the US federal tax rate, which at the time was 35%.

All of this changed at the end of 2017 when the Trump administration slashed the US corporate tax rate and introduced a new tax on the offshore cash holdings, which encouraged companies to bring their cash back into the US.

Up until 2017, US stock market listed companies regularly reported the amount of cash they held offshore. We can use these figures to understand how the total amount of profit these companies shifted out of non-US market jurisdictions over time. The amounts are truly staggering.

By 2017, Apple had accumulated \$246bn in cash offshore, which is equivalent to the GDP of many small countries. Microsoft had accumulated \$142bn.

A study from the Institute on Taxation and Economic Policy found that between Microsoft, Apple, Alphabet, Facebook, Cisco Systems, Adobe, Intel and Nvidia, these companies held \$571bn in offshore tax havens by 2017.³

Companies still continue to move profits offshore from their non-US markets, however, reporting has slightly changed. Rather than report the increases in cash held offshore, companies now report the US tax charge they incur on profits declared in tax havens under new US anti-avoidance rules. We recently found that Netflix was subject to a tax charge of \$43m in 2018 due to the US Minimum Tax on Foreign Entities. We believe that this is likely to be the Global Intangible Low Tax Income (GILTI) provision of the 2017 Trump Tax Reform. **As we reported at the time**, the disclosure that \$43m is subject to the minimum tax rate suggests that between \$327.8m and \$430 of non-US profit was shifted into tax havens by Netflix in 2018.⁴

All of this puts the recent generosity of the tech giants into some context.

Overall, we calculate that the amount of cash donated by these tech giants accounts for just 0.22% of the total amount of profits accumulated in tax havens by the end of 2017. If we exclude Google, which makes up more than 50% of the total covid donations figure, the amount given comprises just 0.09% of tax haven cash accumulated.

Perhaps health services around the world would be better served if tech companies simply paid their taxes in normal times, rather than relying on handouts in a crisis?

We contacted Microsoft⁵, Apple, Alphabet, Facebook, Cisco Systems, Adobe, Intel and Nvidia, however, the above organisations either did not respond or declined to comment.

Company	ITEP Amount Held offshore (2017)	Financial Donations	Material Donations	Explanation
Microsoft	\$142,000,000,000	\$1,000,000		On 09 March, Microsoft announced they would donate \$1 million to Puget Sound's (region in Seattle) covid Response Fund.
Apple	\$246,000,000,000	\$15,000,000	20,000,000 masks	On 13 March, Apple announced that they had donated \$15m to covid response efforts, and that they would match employee donations two-to-one. On 05 April, Apple announced that they had sourced 20m masks to donate for medical workers.
Alphabet	\$60,700,000,000	\$800,000,000		On 27 March, Google announced an \$800m donation towards covid response. This included, but is not limited to, \$250m in ad grants to the World Health Organization and other government agencies, a \$400m investment fund to support NGOs and financial institutions, \$340m in Google Ads credits to Small Business Banking, and \$20m in Google Cloud credits for academic institutions.
Facebook	\$2,870,000,000	\$135,000,000	720,000 masks,	Facebook has made several announcements, as recently as 30 March, of \$100m to aid journalists, \$25m towards developing a treatment for covid, \$10m to the Centre for Disease Control, and 720,000 masks, with millions more to come.
Cisco	\$65,600,000,000	\$225,000,000		On 22 March, Cisco announced \$225m in donations, this includes \$8m in cash, \$210m in product, and \$5m in grants to non-profits.
Adobe	\$4,200,000,000	\$3,000,000		On 24 March, Adobe announced a \$3m donation, including \$1m to the Red Cross and Red Crescent

Societies, \$1m to the Silicon Valley Community Foundation, and a commitment of \$1m to match and double employee donations.

Intel \$46,400,000,000 \$60,000,000

On 07 April, Intel announced \$50m in a 'pandemic response technology initiative'. Intel had previously announced \$10m in donations towards supporting local communities.

Nvidia \$3,130,000,000 \$0 Free access to software for covid researchers.

On 19 March, Nvidia announced covid researchers would be given a 90-day license to Parabricks, software that allows for analysis of genomes.

All donations correct as at 1700hrs BST 08 April 2020.

Photo by [Mika Baumeister](#) on [Unsplash](#)

[1 Amazon ramps hiring, opening 100,000 new roles to support people relying on Amazon's service in this stressful time](#), The Amazon Blog, 16 March 2020, https://blog.aboutamazon.com/operations/amazon-opening-100000-new-roles?utm_source=social&utm_medium=tw&utm_term=amznnews&utm_content=COVID-19_hiring&linkId=84444004

[2 US effective tax rate over 4 times higher for tech companies](#), TaxWatch, 08 April 2020, https://www.taxwatchuk.org/us_tech_companies_worldwide_profits/

[3 Offshore Shell Games 2017](#), Institute on Taxation and Economic Policy, 17 October 2017, <https://itep.org/wp-content/uploads/offshoreshellgames2017.pdf>

[4 No Tax and Chill: Netflix's Offshore Network](#), TaxWatch, 14 January 2020, https://www.taxwatchuk.org/reports/netflix_tax_avoidance/

[5 It is important to note that the Bill & Melinda Gates Foundation announced in February 2020 that they would spend up to \\$100m to improve the detection and treatment of Covid-19. To date, Bill Gates has donated \\$35.8bn worth of Microsoft stock to the foundation.](#)

Related

[US effective tax rate over four times higher for tech companies](#)
8th April 2020
In "News & Media"

[Unitary taxation - the new approach to corporate taxation and its critics](#)
15th November 2019
In "Multinational Companies"

[New TaxWatch report estimates UK is losing £1bn a year in taxes to profit shifting by just 5 companies](#)
28th October 2018
In "News & Media"

[Back](#)