

# TAKEN FOR A RIDE

UBER'S GLOBAL TAX DODGING THROUGH  
DUTCH SHELL COMPANIES

A Preliminary Internal Report for FNV  
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Centre for  
International  
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Accountability  
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## Summary

It is widely understood that Uber's business model represents a direct attack on working conditions and workers' rights. What is less well understood is how the Uber's business model undermines global funding for public services.

Dutch shell companies are at the heart of Uber's global operations. In 2019, Uber's top Dutch shell company, controlling more than 50 other Dutch subsidiaries, pulled in over \$5.8 billion (US dollars unless otherwise noted) in operating revenue from countries around the world, excluding the US and China. The direct transfer of revenue from around the world to the Netherlands leaves little, if any, taxable profits behind. With a series of global restructures in 2019, Uber created an \$8 billion Dutch tax shelter that, if unchecked, may eliminate tax liability on profits shifted to the Netherlands for decades to come.

The \$8 billion Dutch tax shelter was created in 2019 when Uber transferred its intellectual property rights from Bermuda to the Netherlands. The "sale" was financed with a \$16 billion loan from an Uber subsidiary in Singapore. The Singapore subsidiary is the immediate parent company of the Dutch shell company that controls Uber's global empire. Accrued interest on this loan will further reduce taxable income in the Netherlands by \$1 billion a year for the next 20 years.

Revenue generated from Uber's global ride-sharing and meal delivery services, excluding the US and China, accumulates in Dutch subsidiaries with limited financial reporting. These Dutch subsidiaries own the technology – or intellectual property rights – behind the Uber apps. In Uber's business model, profits generated through the apps are earned in the Netherlands. This is either a direct transfer of revenue or under contractual arrangements with Uber entities in individual countries to collect and disburse payments.

Uber's Dutch subsidiaries manage large global payments from consumers and remittance flows to Uber workers. These global financial flows allow Uber to exert significant controls over Uber workers and may earn significant additional revenues from interest, fees and other banking transactions. Uber's business model is being challenged in many jurisdictions. However, it has largely been able to avoid being classified as a transport company, avoid acknowledging workers as employees and avoid regulation for banking operations.

Along with Uber's undermining of worker rights, Uber's global tax avoidance mainly through Dutch shell companies must be urgently addressed. Domestic and global rules must be changed, so that tax revenue from Uber - and other multinationals - begins to fund recovery from the global pandemic rather than continuing to undermine existing taxpaying businesses and driving workers further into poverty.

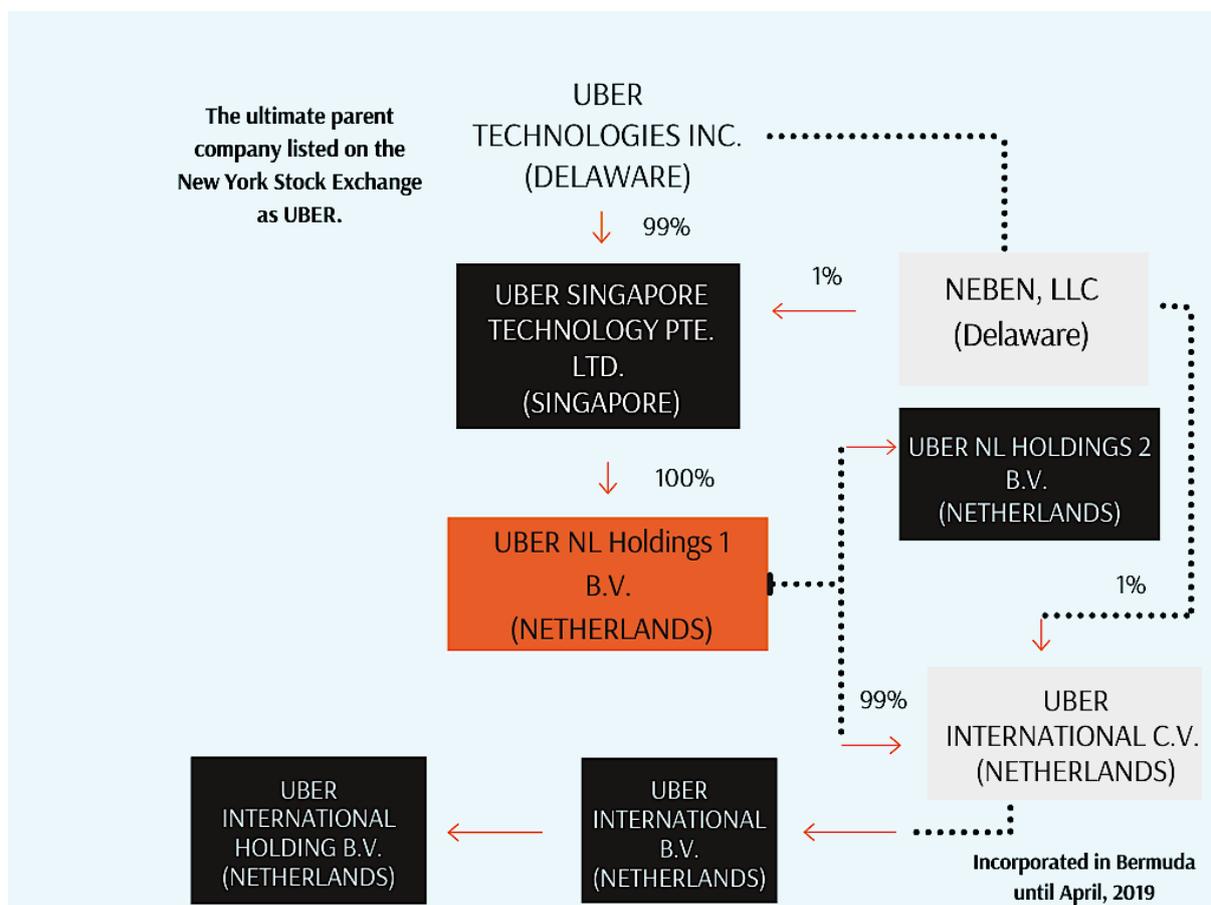
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## Uber’s Dutch Umbrella

In Uber’s current global structure, Uber NL Holdings 1 B.V. is the top company that directly or indirectly owns all of the other key Dutch subsidiaries operating in the Netherlands and around the world. This acts as a global umbrella, sheltering Uber’s tax responsibilities from its operations outside of the US and China. In 2019, this company – with no employees – held total assets of nearly \$12 billion and had debts of over \$17.7 billion.<sup>1</sup> As explained in detail below, the debts are related to loans to the immediate parent company in Singapore and are a core part of the global tax avoidance scheme.

### Uber’s Corporate Structure



Source: Various Financial Statements

<sup>1</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 61 Note 36 (employees); page 8 Statement of financial position (borrowings are non-current).

Despite reaping a global operating revenue of over \$5.8 billion in 2019, the Dutch shell company reported a loss of \$4.6 billion.<sup>2</sup> Of the 2019 revenue of over \$5.8 billion, up from under \$5.1 billion in 2018,

**36%** (\$2,086 m) was from **Europe, Middle East and Africa**;

**33%** (\$1,924 m) from **Latin America**;

**21%** (\$1,243) from **Asia Pacific**; and

**10%** (\$584 m) from **North America**.<sup>3</sup>

Revenue from Latin America declined slightly from 2018, but there were increases in all other regions.<sup>4</sup>

**Ride-sharing** revenue (\$4,370 m) was **75% of total revenue**, **Uber Eats** (\$1,424 m) was **24%** and other revenue (\$27 m) and vehicle solutions (\$16 m) made up the remaining 1%.<sup>5</sup> While all revenue grew, Uber Eats revenue nearly doubled from \$741 million in 2018.<sup>6</sup> The near doubling in growth of Uber Eats revenue from 2018 to 2019 proceeded the impact of the global pandemic in 2020. Lockdowns have resulted in a substantial increase in the demand for Uber Eats and other food delivery services. Several acquisitions have also increased Uber Eats' market share.

While Uber NL Holdings B.V. had no direct employees, the global Group of companies that it owns, had only 924 employees in the Netherlands and 12,988 in all countries on a full-time basis with total employment costs of \$979 million.<sup>7</sup>

*“The main activities of the Group are to operate and support its technology platform that uses a massive network, leading technology, operational excellence and product expertise to power movement from point A to point B.”*

*- Uber NL Holdings 1 B.V.*<sup>8</sup>

## Exploitation All Around: Myth of the Micro-Entrepreneur

Uber goes beyond rewriting social contracts and methodically robs the dignity that should be afforded workers for their labour. The global giant maintains that it is a technology company and not a transport company. Even if one were to believe Uber's claims of only providing a platform that connects workers with the end-user, it controls the nature as well as the price of the service that is being offered. “Traditional and car service operators... [who] continue

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<sup>2</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 9 Income statement.

<sup>3</sup> 2019 Annual Report, Uber NL Holdings 1 B.V., page 30 Note 14.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 31 Note 17.

<sup>8</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 13 Note 1.2.

to lobby legislators and regulators” have placed pressure on Uber to comply with regulations and any other requirements applicable to taxi companies and other providers of transport services.<sup>9</sup> While delivering his opinion on the question referred to the European Court of Justice by the Commercial Court of Barcelona in the case *Asociación Profesional Elite Taxi v Uber Systems Spain SL*, Advocate General Szpunar observed:

*“What is Uber? Is it a transport undertaking, a taxi business to be blunt? Or is it solely an electronic platform enabling users to locate, book and pay for a transport service provided by someone else? In its written observations, Uber claims that it simply matches supply (the supply of urban transport) to demand. I think, however, that this is an unduly narrow view of its role. Uber actually does much more than match supply to demand: it created the supply itself. It also lays down rules concerning the essential characteristics of the supply and organises how it works.”<sup>10</sup>*

In the UK, the Group<sup>11</sup> has been “involved in an on-going dialogue with HMRC, which is seeking to classify [them] as a transportation provider”.<sup>12</sup> Under the guise of promoting micro-entrepreneurship or self-employment, Uber does not classify Drivers or Riders as employees but independent contractors. This is a common justification for Uber and other platform businesses. As contractors, workers are technically self-employed which pushes them into the informal sector, where workers are historically largely unorganised, and exploitation is rife.

In February 2021, the UK Supreme Court dismissed Uber’s appeal (*Uber B.V. & others v Aslam & others*) and recognised Uber’s UK drivers as workers.<sup>13</sup> In its judgement the court observed that that not only does Uber set the fare, it also “dictates how much drivers are paid for the work they do”.<sup>14</sup> Further adding that “the transportation service performed by drivers and offered to passengers through the Uber app is very tightly defined and controlled by Uber. Drivers are in a position of subordination and dependency in relation to Uber such that they have little or no ability to improve their economic position through professional or entrepreneurial skill.”<sup>15</sup> This judgement will have implications on other gig companies employing workers as “independent contractors”.

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<sup>9</sup> As per the 10-K SEC filings of Uber Technologies, Inc. as filed with the Securities and Exchange Commission on April 11, 2019, page 54.

<sup>10</sup> Opinion of Advocate General Szpunar as delivered on May 11<sup>th</sup>, 2017, case no. C-434/15, *Asociación Profesional Elite Taxi v Uber Systems Spain SL*. See here: <http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d2dc30d6c9f875101bee42438355a9c118081a54.e34KaxiLc3qMb40Rch0SaxyLb3f0?text=&docid=190593&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=652907>

<sup>11</sup> Uber Technologies, Inc. and all of its subsidiaries have collectively been referred to as the Group.

<sup>12</sup> 2018 Director’s Report and Financial Statement of Uber London Limited as of December 31<sup>st</sup> 2018, page 19.

<sup>13</sup> UKSC 5. *Uber BV and others (Appellants) v Aslam and others (Respondents)*. February 19<sup>th</sup> 2021. On appeal from [2018] EWCA Civ 2738. Press Summary. Access here: <https://www.supremecourt.uk/cases/docs/uksc-2019-0029-press-summary.pdf>

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

A comprehensive study on platform businesses by Fair Work India points out that workers found “it hard to compute their costs and hours of work”.<sup>16</sup> The incentive rate system forms a large part of total payments to workers. With such a system in place, it is increasingly common for drivers to be working long hours. In India, in just five years from 2012 to 2017, Uber’s incentive rate has dropped significantly. Any drop in the incentive rate leads drivers to work to the point of exhaustion. This also means that Uber drivers in developing countries who commonly lease vehicles from Uber are unable to make lease payments and depend on unsafe means of borrowing. Isolated, workers in developing countries are likely to have reduced protections and less access to legal remedies.

Uber Eats couriers in Canada face similar experiences where their wages have progressively shrunk over time.<sup>17</sup> In Australia, the same conditions exist and face legal challenge led by the Transport Workers Union. Five Uber Eats workers, predominately recent immigrants, have died while delivering meals in the last 3 months of 2020.<sup>18</sup> Uber ceased operations in Denmark in 2018 after a successful criminal court prosecution against its business model which used tax data from Drivers obtained from Dutch tax authorities.<sup>19</sup> Uber faces ongoing regulatory and legal challenges to its business model for tax avoidance and worker exploitation in other countries, including the UK and Switzerland.<sup>20</sup> Last year, Italy began an investigation into Uber Eats’ conduct towards immigrant workers from developing countries namely Bangladesh, Gambia, Guinea, Ivory Coast, Mali, Nigeria and Pakistan after Milan prosecutors submitted a report into its exploitative practices.<sup>21</sup>

Uber’s global model structured through Dutch shell companies plays upon social and economic vulnerabilities in developing countries. Moreover, abusive tax practices impact funding for public services and exacerbate existing inequalities. Additionally, Uber’s business model helps to perpetuate the lack of affordable, environment-friendly and safe public transportation. In developing countries, in particular, this hampers the social mobility of women and lower-income groups.

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<sup>16</sup> Fair Work India (2020). Labour Standards in the Platform Economy, page 13. Access here: [https://fair.work/wp-content/uploads/sites/131/2020/12/Fairwork\\_India\\_2020\\_report.pdf](https://fair.work/wp-content/uploads/sites/131/2020/12/Fairwork_India_2020_report.pdf)

<sup>17</sup> Tara Deschamps. February 7<sup>th</sup> 2021. CTV News. “‘I’m making so little’: Uber Eats couriers say new pay system dropped wages”. Access here: <https://toronto.ctvnews.ca/i-m-making-so-little-uber-eats-couriers-say-new-pay-system-dropped-wages-1.5299205>

<sup>18</sup> Noaman Zhou, December 9<sup>th</sup> 2020, *The Guardian*, “Family of Uber Eats rider killed in Sydney files workers’ compensation claim in test for gig economy”. Access here: <https://www.theguardian.com/australia-news/2020/dec/09/family-of-uber-eats-rider-killed-in-sydney-files-workers-compensation-claim-in-test-for-gig-economy#:~:text=the%20gig%20economy,-,Five%20delivery%20riders%20have%20died%20in%20Australia%20since%20the%20end,in%20Sydney%20while%20delivering%20food>

<sup>19</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 36 Note 21.

<sup>20</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., pages 36-37 Note 21.

<sup>21</sup> Agence France-Presse. Milan. October 13<sup>th</sup> 2020. *New Age Tech*. “Italy probes Uber’s exploit of drivers, including Bangladeshis.”

## Uber's Business Model

Uber's operations in Australia may provide insights into Uber's operations in other countries. On reported revenue in 2019 of AUD\$1,161.6 million (Australian dollars), Uber paid AUD\$11.1 million in income tax, less than 1% in contrast to the corporate income tax rate of 30%.<sup>22</sup> While tax is determined on profits and not revenue, most of the revenue in Australia could be more accurately classified as profit, if not for hundreds of millions in internal related party transactions with Uber's Dutch entities.

Uber's tax payments in Australia may be low, but they did at least pay some tax. This may not be the case in many other countries. The 2019 tax payments in Australia may be at a higher rate because the tax authority is more assertive and legislation has been passed in efforts to limit multinational tax avoidance. As an example of reported profits being an artificial accounting gimmick, Uber reported AUD\$1.6 million in profit after tax in Australia while paying nearly 7 times that in Australian corporate income tax in 2019.<sup>23</sup> This suggests that the tax authority may not have accepted Uber's accounting practices in determining taxable profits.<sup>24</sup>

Uber's revenue of AUD\$1,161.6 million in 2019, up from AUD\$935.3 million in the previous year, is entirely from ride-sharing and Uber Eats.<sup>25</sup> In Uber's language, drivers and delivery people are its "Partners" and the "Partners are the Group's customers and pay the Group a service fee for each successfully completed transaction between the Partner and the end-users."<sup>26</sup> In ride-sharing, the "service fee is typically a fixed percentage of the end user fare."<sup>27</sup> In Uber Eats, the "service fee paid by Merchant Partners and Delivery Partners is typically a fixed percentage of the meal price and delivery fee."<sup>28</sup>

All of Uber's revenue, with the minor exception of service fees paid by restaurants, comes from service fees paid by workers. There appears to be few actual operating costs of business for Uber. The already established platform connects end-users to workers and collects a percentage of the payments made to workers for the services they provide. Additionally, Uber's banking operations, collecting the full payment from end-users, offers other opportunities for booking revenue from the banking and transfer services directly in the Netherlands.

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<sup>22</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries, for the year end 31 December 2019, page 5 Income Statement and page 8 Cash Flow Statement. This is tax paid from the cash flow statement and not the income tax expense, which is an accounting figure and not an actual payment.

<sup>23</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 1 Directors' report.

<sup>24</sup> It may also reflect tax payments made for previous years as the tax expense includes an expense for the previous year. This may also be the result of audits by the Australian Taxation Office.

<sup>25</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 27 Note 7.

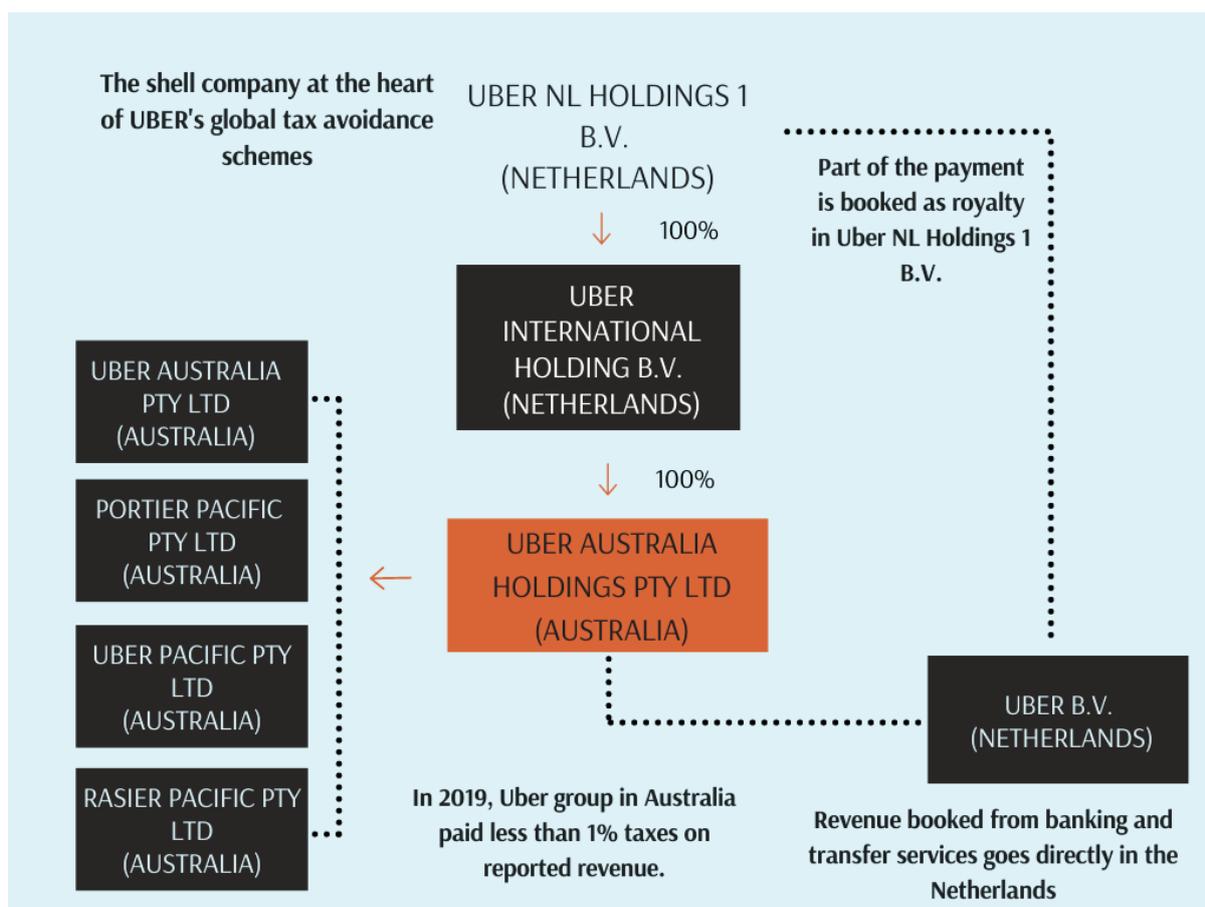
<sup>26</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, 31 December 2019, page 29 Note 7.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

Marketing expenses, which would include paying for advertisements to promote the use of Uber’s platforms, appear to be one of the few legitimate costs of business in which money is spent in the market where services are provided. In 2019, Uber’s marketing expenses were AUD\$237.6 million.<sup>29</sup> It is difficult to determine from the consolidated financial statements of the Australian holding company but the other expenses appear to be transfers to Uber subsidiaries in the Netherlands.<sup>30</sup> There is limited disclosure of what these transfers to Dutch Uber subsidiaries might pay for beyond broad categories such as administrative expenses and service fees.

### Uber’s Australian Corporate Structure



Source: 2019 Consolidated Financial Statement of Uber Australia Holdings Pty Ltd<sup>31</sup>

<sup>29</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 31 Note 8.

<sup>30</sup> Uber Australia Holdings Pty Ltd is Uber’s Australian holding company. The immediate parent of the holding company is Uber International Holding B.V. in the Netherlands. The holding company is the head of consolidated tax group with four subsidiaries, Uber Pacific Pty Ltd and Rasier Pacific Pty Ltd which related to ridesharing services, Portier Pacific Pty Ltd which relates to Uber Eats and Uber Australia Pty Ltd which provides market research, product and service marketing. These subsidiaries do not file separate financial statements.

<sup>31</sup> Ibid.

In 2019, the cost of providing services, which are not specified, of AUD\$273.5 million reduced gross profit to AUD\$888.1 million.<sup>32</sup> Marketing expenses and administrative expenses of AUD\$621.7 million reduced operating profit to AUD\$28.6 million and finance costs of AUD\$9.5 million and income tax expense of AUD\$17.6 million, including expenses from the previous year, reduced the reported profit after tax to only AUD\$1.6 million.<sup>33</sup> Apart from the marketing expenses and the income tax expense (not payments) the majority of these costs, although not fully disclosed, appear to be transfers to Uber subsidiaries in the Netherlands.

What is disclosed is that service fees of AUD\$494.2 million were paid to related parties and that collection on behalf of a related company was AUD\$3,073.3 million and payment on behalf of related companies was AUD\$2,098.1 million.<sup>34</sup> The calculated difference between collections and payments by related parties is AUD\$975.2 million. This appears to be the difference between payments made by Australian end-users to Uber subsidiaries in the Netherlands and payments made by Uber Dutch subsidiaries to Australian Uber drivers and delivery people.

Additionally, AUD\$1,141.4 million was reported as payables due to related parties, which “mainly pertain to payment on behalf by related parties and service fees due to related parties.”<sup>35</sup> AUD\$837 million is reported as payable due to a related party on a “cash pooling” arrangement.<sup>36</sup> The cash pooling is “between Uber B.V. and all the group entities. All group entities have individual bank accounts and their month-end cash balances are being swept into a single cash account owned by Uber B.V.”.<sup>37</sup> Uber B.V. which acts like a treasury unit for Uber’s global operations and is a key subsidiary being used to sweep revenue out of Australia. Like a bank, it then also charges interest on this cash pooling arrangement. The interest expense on the cash pooling arrangement was AUD\$8.2 million in 2019, making up the vast majority of total finance expenses.<sup>38</sup>

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<sup>32</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 5 Income Statement.

<sup>33</sup> Ibid.

<sup>34</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 43 Note 23

<sup>35</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 32 Note 14.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> 2019 Annual Report of Uber Australia Holdings Pty Ltd and its subsidiaries for the year end 31 December 2019, page 32 Note 10.

## Shell Games

Uber London Limited is the principal entity responsible for providing marketing and support services to the Uber group in the UK. A company with only 249 employees has administrative expenses that are 92% of the total turnover for 2019.<sup>39</sup> The same is true for Uber Scot Limited in 2019, where administrative expenses are 92% of the total turnover.<sup>40</sup> Interestingly, Uber London Limited saw a jump of £14 million in turnover from 2018 to 2019 but does not disclose any corporate income tax payments in the UK.

Uber's UK subsidiaries are members of the smallest undertaking whose group financial statements are prepared by Uber NL Holdings 1 B.V. The Dutch ownership structure severely limits the disclosure required in UK filings. For instance, the UK filing of Uber London Limited reports that it receives support from Uber B.V. but does not what type of support. Additionally, the UK Employment Tribunal documents in the case between Y Aslam, J Farrar and others vs Uber B.V., Uber London Limited, Uber Britannia Limited (referred to above) show that Uber B.V. is the entity that "holds the legal rights to the app".<sup>41</sup> One of the reasons of the judgement was "the fare is calculated by the Uber app and paid by the passenger to Uber BV, which deducts part (20% in these cases) and pays the balance to the driver."<sup>42</sup>

Uber International Holding B.V. controlled by Uber NL Holdings 1 B.V. is the immediate parent company of all of Uber's subsidiaries in the UK. Thus, all payments collected from end-users go to Dutch entities.<sup>43</sup> It is no coincidence that five of Uber's UK subsidiaries use exemptions from filing audited accounts provided to small companies.<sup>44</sup> Uber's choice of corporate structures in the UK is not accidental. Limited liability companies incorporated in England and Wales have been under scrutiny as vehicles of potential tax abuse and secrecy.<sup>45</sup>

As in the UK and most other countries, the Australian holding company is owned directly by Uber International Holding B.V. in the Netherlands, which is indirectly owned by Uber NL Holdings 1 B.V. the Dutch shell company at the heart of Uber's global tax avoidance schemes.<sup>46</sup>

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<sup>39</sup> 2019 Annual Director's Report and Financial Statements of Uber London Limited for the year end December 31<sup>st</sup> 2019.

<sup>40</sup> 2019 Annual Director's Report and Financial Statements of Uber London Limited for the year end December 31<sup>st</sup> 2019.

<sup>41</sup> UK Employment Tribunal, Case No. 2202550/215 & Others <https://www.judiciary.uk/wp-content/uploads/2016/10/aslam-and-farrar-v-uber-reasons-20161028.pdf>

<sup>42</sup> UKSC 5. Uber BV and others (Appellants) v Aslam and others (Respondents). February 19<sup>th</sup> 2021. On appeal from [2018] EWCA Civ 2738. Press Summary. Access here: <https://www.supremecourt.uk/cases/docs/uksc-2019-0029-press-summary.pdf>

<sup>43</sup> Graham Hiscott. February 11<sup>th</sup> 2021. *The Mirror*. "Uber paid no UK corporation tax despite £14million jump in revenue". Access here: <https://www.mirror.co.uk/money/uber-paid-no-uk-corporation-23479583>

<sup>44</sup> Namely Uber Britannia Limited, Uber Eats Limited, Uber NIR Limited, Uber Scot Limited and Xuberance Limited.

<sup>45</sup> David Leask and Richard Smith. July 27<sup>th</sup> 2018. *The Herald*. "Boom in new English 'tax haven' firms after Scottish crackdown". Access here: <https://www.heraldscotland.com/news/16380266.boom-new-english-tax-haven-firms-scottish-crackdown/>

<sup>46</sup> 2019 Annual Report of Uber Australia Holdings Pty. Ltd and its subsidiaries for the year ended 31 December 2019, page 9, Note 1

Two of the three directors of the Australian holding company are Uber executives in the US, the global head of tax and the general counsel.<sup>47</sup> Uber's Australian director is a Director/Partner of a local accounting firm and has "extensive experience in advising high net worth individuals in relation to their remuneration packages, tax strategies, investment structuring..." and "has worked with a number of foreign companies establishing subsidiaries in Australia".<sup>48</sup> The background of these directors may be an indication that a primary purpose of the holding company in Australia is to avoid tax.

Uber's Australian director, along with Uber's global head of tax, is also a director of Uber New Zealand Technologies Limited, the only Uber company in New Zealand to file annual financial statements.<sup>49</sup> The New Zealand company's financial statement indicates that the immediate parent is Uber International B.V. in the Netherlands.<sup>50</sup> However, the New Zealand Companies Register shows that while Raiser New Zealand Limited and Portier New Zealand Limited are directly owned by Uber International B.V., the shares in Uber New Zealand Technologies Limited are held, as in Australia, directly by Uber International Holding B.V.<sup>51</sup>

In 2019, all of the NZD\$12.8 million (New Zealand Dollars) in revenue, up from NZD\$10.2 million, came from "service fee income from related corporations".<sup>52</sup> New Zealanders using Uber services appear to make payments directly to the Netherlands. A portion of the money is returned back as "service fees", leaving very little taxable profits behind. As in Australia, Uber New Zealand Technologies Limited had NZD\$5.7 million in "Payable due to a related company on cash pooling arrangement" which "relates to cash pooling between Uber B.V. and the Company."<sup>53</sup>

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<sup>47</sup> 2019 Annual Report of Uber Australia Holdings Pty. Ltd and its subsidiaries for the year ended 31 December 2019, pages 1-2 Directors' Report.

<sup>48</sup> See here: <https://www.pkf.com.au/people-search/nicholas-falzon/>

<sup>49</sup> 2019 Annual Financial Report Uber New Zealand Technologies Limited for the year end 31 December 2019, page 1 Directors' report.

<sup>50</sup> 2019 Annual Financial Report Uber New Zealand Technologies Limited for the year end 31 December 2019, page 32, Note 18.

<sup>51</sup> New Zealand Companies Register, Uber New Zealand Technologies Limited as on July 16th 2020. See here: <https://app.companiesoffice.govt.nz/companies/app/ui/pages/companies/4451818/shareholdings?backurl=H4sIAAAAAAAAAAFXKQQRcMBBG4dtk4yInCClobroQqwcYOz82EJM4Myn29ipS0e33nq90hfgYOU6RGyWvIBnG9T2cL5CVk5JwmivCpuvca9tliza%2FRRfaRumNrOn%2F87G9IFa%2FpR9%2FV%2BKJ8gA%2BUEYKJg3uVhhhcYdHpczgI7QI0%2FAETcndNq4AAAA%3D>

<sup>52</sup> 2019 Annual Financial Report of Uber New Zealand Technologies Limited for the year end 31 December 2019, page 23 Note 4 and page 5 Income statement.

<sup>53</sup> 2019 Annual Financial Report of Uber New Zealand Technologies Limited for the year end 31 December 2019, page 30 Note 15.

## Centralising Global Revenues in the Netherlands

Uber B.V. does not have any physical presence in India but it maintains and operates the platform that provides ride-sharing and meal delivery services to end-users in India. Uber B.V. is also one of the 19 Dutch subsidiaries of Uber NL Holdings 1 B.V. that is exempt from filing annual financial requirements in the Netherlands, or anywhere else.<sup>54</sup> Although Uber B.V. and the other 18 subsidiaries are at the core of Uber's business in India, in the Netherlands and around the world, there is no company level disclosure.

Uber India Systems Private Limited (UISPL), Uber's top-level subsidiary in India, reported a 68% jump in turnover from 2017-18 to 2018-19, signalling significant growth.<sup>55</sup> It appears from the filing that the Commissioner of Income Tax (Appeals) charged UISPL 1.1 billion INR in withholding taxes in the annual year 2018-19, out of which UISPL paid only 28% i.e. 320 million INR.<sup>56</sup> In the same year, Uber reported an income tax expense of 233 million INR which was 2.6% of the total reported revenue of 8.9 billion INR.<sup>57</sup> For comparison, the corporate tax rate inclusive of peak surcharge and cess was 25% in the fiscal year 2019-20.<sup>58</sup>

UISPL and other subsidiaries of Uber are only responsible for providing marketing and support services such as collecting payments and dispensing 'remittances' to partners. The curious use of the word 'remittances' here denotes an international transaction from one party to another.<sup>59</sup> It is fair to say that the drivers and delivery persons Uber contracts are receiving their wages from international Dutch subsidiaries of the Group namely Uber B.V. and Uber Portier B.V. In fact, UISPL signed an agreement in September 2019 with Uber B.V. to transfer contracts and data (Rides Contracts and Ride Data, Eats Contracts and Eats Data).<sup>60</sup>

As per the terms of the contract, any subsequent income rendered from providing these support services by Indian subsidiaries is billed to Uber B.V. and Uber Portier B.V., including any incurred transaction costs or service fees applicable for collections.<sup>61</sup> This transfer agreement also entails that "the brand and technology royalty payments [to Uber B.V.] are assumed at 13% of net revenues in the forecast period".<sup>62</sup> These "royalty rates [are]

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<sup>54</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 56 Note 27.

<sup>55</sup> 2019 Financial Statements of Uber India Private Systems Limited, page 5.

<sup>56</sup> 2019 Financial Statements of Uber India Private Systems Limited, page 35.

<sup>57</sup> As per the director's report in 2019 Financial Statements of Uber India Private Systems Limited, page 5.

<sup>58</sup> Press Information Bureau. September 20th 2019. Government of India. Corporate tax rates slashed to 22% for domestic companies and 15% for new domestic manufacturing companies and other fiscal reliefs. Access here: <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1585641>

<sup>59</sup> Ibid.

<sup>60</sup> Project Ulysses. September 20th 2019. Valuation of Indian Rides and Eats Intangible Asset of Uber B.V. and Equity Shares of Uber Indian Systems Private Limited. Valuation Report.

<sup>61</sup> 2019 Financial Statements of Uber India Private Systems Limited, page 84.

<sup>62</sup> Project Ulysses. September 20th 2019. Valuation of Indian Rides and Eats Intangible Asset of Uber B.V. and Equity Shares of Uber Indian Systems Private Limited. Valuation Report, page 19. The chosen forecasting period is from August 1st 2019 to December 31st 2028.

considered (...) proportionate to the cost to be incurred to develop brand and technology”.<sup>63</sup> Royalty payments charged for the use of intellectual property are frequently used to shift profits from countries where profits are genuinely earned to countries with lower tax rates or favourable treatment for income from royalties.

The Indian example reflects Uber’s operations in other countries. However, as mentioned above the impact of Uber’s tax avoidance and worker exploitation in India may cause greater harm than in more developed countries.

The Indian government has taken pro-active steps to tax digital companies like Uber. In 2016, India introduced the principle of Permanent Establishment along with an equalization levy of 6% in order to effectively tax digital companies. The principle was later enhanced to a broader concept of significant economic presence. The scope of this levy was expanded by 2% in 2020. India is one of the developing countries leading the G24 proposal on taxing digital companies and is an active member of the UN Committee of Experts on International Tax Matters.

Uber’s recent restructuring in India may be specifically designed to circumvent these measures. Previous restructurings in Australia and the Netherlands also seem to indicate a similar pattern of changing corporate structures in response to tax and labour reforms in order to continue to avoid corporate income tax payments and any responsibility for diminishing working conditions.<sup>64</sup>

## Does Uber Operate as a Global Bank?

Uber B.V., as discussed above, acts as a central treasury for Uber’s global operations and sweeps revenues into cash pools in the Netherlands. While the payments reported in most filings reflect internal service fees or payments from workers to Uber, the actual transfers from end-users are much larger. The scale of Uber’s global banking transactions appears to be comparable to many traditional banks including Citigroup, Bank of America and JP Morgan Chase and raises questions about whether Uber should be subject to banking regulations.<sup>65</sup> This would mean that it would be required under EU law to make public a full report of its global operations including number of employees, revenues and profits, in each country in which it operates.

Uber Portier B.V., and its related companies provide international money transfers for Uber Eats, while Uber Rasier B.V., and its related companies provide international money transfers for the ride-sharing business. These entities do not appear to be regulated as financial

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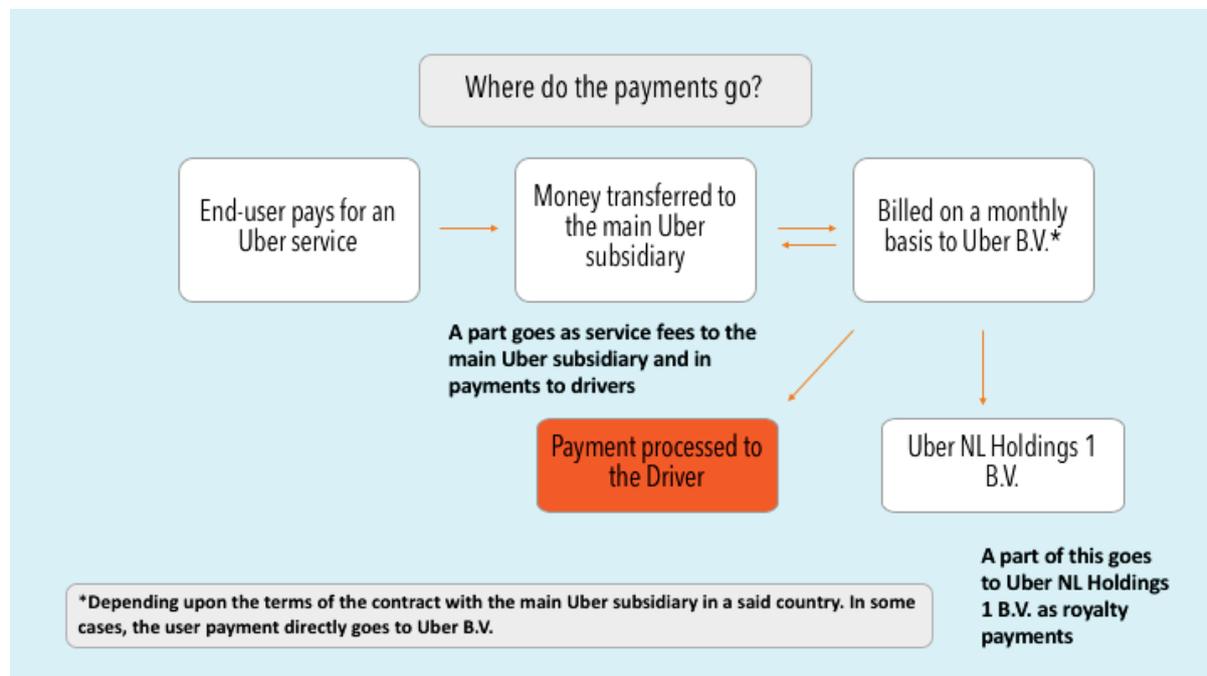
<sup>63</sup> Ibid. Page 19.

<sup>64</sup> Josh Taylor. January 29th 2021. *The Guardian*. “Uber Eats accused of using new contract to exploit Australian delivery riders”. Access here: <https://www.theguardian.com/australia-news/2021/jan/29/uber-eats-accused-of-using-new-contract-to-exploit-australian-delivery-riders>

<sup>65</sup> Antonella Ciancio. April 08 2020. *Global Finance*. “A Giant Enters Transaction Banking”. Access here: <https://www.gfmag.com/magazine/april-2020/giant-enters-transaction-banking>

institutions and are exempt from filing annual financial statements in the Netherlands<sup>66</sup>. Financial disclosures of Dutch subsidiaries with direct or indirect business presence in the Netherlands – and many other countries – are not publicly available.

### Uber's Payment Flows



Source: Various Financial Statements

Multiple Dutch subsidiaries are involved in large-scale global money transfers. Uber B.V. functions as a global treasury unit, but it appears that only one Uber subsidiary recently obtained a license for banking operations. Uber and other technology or platform companies may have been required to obtain licenses under new European regulations for electronic payment services which were designed in part to “boost innovation”.<sup>67</sup> The scale of Uber’s global financial transfers to and from the Netherlands, not involving a third-party regulated bank, may be for beyond what was envisioned in the latest European Payment Services Directive.

Uber Payments B.V. (UPBV) is “authorised and regulated by the Dutch supervisory authority De Nederlandsche Bank (DNB) on the basis of an electronic money institution (EMI) license. The Company passports its license in the European Economic Area (EEA), in support of the broader Uber platforms.”<sup>68</sup> The license was obtained in April 2019 and operations “under the

<sup>66</sup> Section 408 Book 2 of the Dutch Civil Code exempts intermediate holding entities from publishing consolidated financial data of its subsidiaries.

<sup>67</sup> The European banking regulations are summarised here: <https://www.bbva.com/en/everything-need-know-psd2/>

<sup>68</sup> 2019 Annual Report of Uber Payments B.V., page 5.

license, applying a phased country-by-country migration approach” began in July 2019.<sup>69</sup> UPBV does file financial statements in the Netherlands, but disclosure is minimal. UPBV is 60% owned by Uber Payments Holdco B.V.<sup>70</sup> and 40% by Stichting Continuïteit.<sup>71</sup> While the ownership of this Foundation is not known, the ultimate parent is Uber Technologies Inc. Uber B.V. supports the business activities of Uber Payments B.V.<sup>72</sup>

Unlike the other Uber ‘banking’ subsidiaries, Uber Payments B.V. is subject to anti-money laundering and other financial regulations. The company’s license “permits Uber Payments B.V. to provide payment services (including acquiring and executing payment transactions and money remittances, as referred to in the Revised Payment Services Directive (2015/2366/EU)) and issue electronic money in the Netherlands.”<sup>73</sup> This single license, provided by the state-owned central bank of the Netherlands, may permit Uber’s global banking functions which are comparable in scale to major traditional banks.<sup>74</sup> However, UPBV’s license does not require the higher levels of regulation and supervision which traditional banks operating in Europe are subject to.

Uber Payments B.V.’s license allows Uber to generate Uber Credits which ties both end-users and drivers.<sup>75</sup> Uber Credits are equivalent to the local currency value and used for refunds, penalties and payments.

The need for additional transparency, the possible application of other regulations and the legitimacy of Uber Payments B.V.’s banking license should be examined. The application of banking regulations in the Netherlands, or elsewhere around the world, for Uber B.V. and other subsidiaries that conduct significant money transfers and banking operations should also be considered.

## Circular Transactions Create an Uber Tax Dodge

In 2019, Uber internally restructured its global business and created a massive tax shelter in the Netherlands through a completely artificial and circular transaction. As Uber’s global revenues are collected in the Netherlands, the tax shelter may help reduce Uber’s tax payments in the Netherlands and around the world for decades to come. A 2019 *Bloomberg* article first shed light into the Uber Group’s transfer of intellectual property rights to the

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<sup>69</sup> Ibid.

<sup>70</sup> A subsidiary of Uber NL Holdings 1 B.V.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> As per the 10-K SEC filings of Uber Technologies, Inc. as filed with the Securities and Exchange Commission on April 11, 2019, page 57.

<sup>74</sup> Antonella Ciancio. April 08 2020. *Global Finance*. “A Giant Enters Transaction Banking”. Access here: <https://www.gfmag.com/magazine/april-2020/giant-enters-transaction-banking>

<sup>75</sup> Infinity Mobile. “The day Uber became a PSP”. Access here: <https://infinity-mobile.io/uber-payment-service-provider-ppsp/>

Netherlands from Bermuda, which created an ongoing \$6.1 billion tax shelter.<sup>76</sup> However, this was only a glimpse into Uber's grand scheme for global tax avoidance.

Uber NL Holdings 1 B.V. was established in December 2018 as a Netherlands based private limited liability company and is at the heart of Uber's global operations and its world-wide tax avoidance scheme.<sup>77</sup> Uber Singapore Technology Pte. Ltd. is now the direct owner of Uber NL Holdings 1 B.V.<sup>78</sup> The Singapore company is 98.8% owned by Uber Technologies Inc., the Delaware corporation which is listed on the New York Stock Exchange, and 1.2% by Neben LLC, an Uber subsidiary incorporated in Delaware.<sup>79</sup>

In April 2019, Uber NL Holdings 1 B.V. "acquired 100% of Uber International C.V. ('UICV') the immediate parent entity of Uber International B.V. ('UIBV')."<sup>80</sup> UICV, previously incorporated in Bermuda, held intellectual property rights for Uber's platform that drew royalty payments from Uber operations around the world. The "re-domiciliation of UICV to the Netherlands and a transfer of certain intellectual property rights" shifted global payments to the Netherlands.<sup>81</sup> The "activities of UICV were integrated into, and continued by" Uber NL Holdings 1 B.V. which is considered a "continuation of UICV's business."<sup>82</sup>

The shift in ownership of UIBV, which had previously been the parent company of Uber's maze of other Dutch and global subsidiaries, placed Uber NL Holdings 1 B.V. at the heart of Uber's global operations. Since the reorganisation, UIBV no longer files financial statements as a subsidiary of Uber NL Holdings 1 B.V. However, the final 2018 filing of UIBV reports a subsequent event after the balance sheet date that in "April 2019, the Company (through a subsidiary) purchase[d] the intellectual property rights business (the "IP rights") from its sole shareholder [UICV] for a total consideration of \$36 billion. The IP rights mainly include certain brand, technology and market-based intangibles."<sup>83</sup> This is clearly connected to the larger restructure, but how it connects and why there is a \$36 billion price tag is unclear.

The "acquisition of UICV, was financed by the Company through a net loan of USD 16 billion obtained from the immediate parent", Uber Singapore Technology Pte. Ltd. incorporated in Singapore.<sup>84</sup> All of the entities involved are ultimately owned by Uber Technologies, Inc. The primary purpose of this transaction and subsequent loan appears to create a tax shelter in Netherlands to help avoid income tax payments on future global revenues.

The \$16 billion loan agreement with Uber Singapore Technology Pte. Ltd., "including any unpaid interest", does not mature until the year 2039.<sup>85</sup> The loan rate is "based on the 3-

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<sup>76</sup> Lynnley Browning and Eric Newcomer. August 8<sup>th</sup> 2019. *Bloomberg*. Uber Created a \$6.1 Billion Dutch Weapon to Avoid Paying Taxes.

<sup>77</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 13 Note 1.1.

<sup>78</sup> *Ibid*.

<sup>79</sup> Annual Return of Uber Singapore Technology Pte. Ltd.

<sup>80</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 13 Note 1.3.

<sup>81</sup> 2019 Annual Report of Uber NL Holdings B.V., page 13 Note 1.3.

<sup>82</sup> *Ibid*.

<sup>83</sup> 2018 Financial Report of Uber International B.V., page 32 Note 21.

<sup>84</sup> *Ibid*.

<sup>85</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 29 Note 12.

month LIBOR plus a 6% surcharge”.<sup>86</sup><sup>87</sup> In less than a year, \$977 million in interest was accrued on this loan, but not paid.<sup>88</sup> The high interest rates on this loan - for an artificial shift in intellectual property from one arm of the company in Bermuda to another arm in the Netherlands – will create interest expenses of nearly \$1 billion every year for 20 years that can further reduce income tax liabilities in the Netherlands. Follow the Money’s recent investigation reveals how “if Uber were to make a profit of exactly \$1.3 billion without this internal loan, the profit would come to zero because of this interest charge. The Dutch corporate tax rate is 25%, so in that case Uber bypasses \$325 million in income tax.”<sup>89</sup> To put things in perspective, given that corporate income taxes were reduced owing to the changes made to the Dutch tax code in 2019, the effective tax rate would be even lower. The Uber NL Holdings 1 B.V. filing estimates this reduction to be around 21.7% in 2021.

However, the immediate impact of the transfer of intellectual property rights, and the royalty payments that they produce from Uber’s operations around the world, is a tax shelter of at least \$8 billion. Uber NL Holdings 1 B.V. reports that the “redomiciliation resulted in a step-up in the tax basis of intellectual property rights and a correlated increase in foreign deferred tax assets in an amount of \$6.7 billion, net of a reserve for uncertain tax positions of \$1.1 billion.”<sup>90</sup> The reserve of \$1.1 billion is set aside to cover the cost of tax authorities around the world who have questioned the validity of Uber’s schemes and are attempting to collect additional tax revenues. These two amounts combined make a tax shelter of \$7.8 billion, further increasing the \$6.1 billion ongoing tax shelter identified by the Bloomberg investigation.

This \$7.8 billion tax shelter does not include additional unrecognised deferred tax assets of up to \$7.8 billion in relation to intangible fixed assets and the entity restructuring.<sup>91</sup> This additional \$7.8 billion could double the value of the tax shelter to \$15.6 billion but may be challenged.

While the restructuring and transfer of intellectual property involved other transactions and shifts in equity, the impact was to create a tax shelter in the Netherlands of at least \$8 billion and ongoing interest expense of \$1 billion or more a year to further reduce taxable income in the Netherlands for up to two decades. According to the Uber’s annual report, the international restructuring legally transferred certain intellectual property rights among its wholly owned subsidiaries, leading to a “correlated increase in foreign deferred tax assets in an amount of \$6 to \$10 billion”.<sup>92</sup> These intellectual property rights are not defined. Uber

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<sup>86</sup> Ibid.

<sup>87</sup> London Inter-Bank Offered Rate (LIBOR) is the interest rate at which major international global banks lend to one another.

<sup>88</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 29 Note 12.

<sup>89</sup> Steven Vermeulen and Hugo Rasch. February 6 2021. *Follow the Money*. “Hoe Uber via Nederland nog altijd belasting ontwijkt”. Access here: <https://www.ftm.nl/artikelen/nieuwe-fiscale-omweg-uber>

<sup>90</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 34 Note 20.2.

<sup>91</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 35 Note 20.4 and 20.5. There is uncertainty over the treatment of \$1.3 billion unrecognised deferred tax asset.

<sup>92</sup> As per the 2019 Annual Report of Uber Technologies Inc. (10-K) as filed with the Securities and Exchange Commission on April 11, 2019, page F-82.

subsidiaries in Bermuda, or other jurisdictions, may continue to hold intellectual property rights beyond the significant transfer to the Netherlands.

Partly as a result of the global restructuring and despite reaping global revenues of \$5.8 billion, Uber NL Holdings 1 B.V. reported a loss of \$4.6 billion in 2019.<sup>93</sup> The company is the head of “fiscal unity for corporate income tax purposes” and did report total income tax paid of \$112 million in 2019.<sup>94</sup> The company indirectly owns dozens of subsidiaries in the Netherlands and around the world, but only two direct subsidiaries, Uber International C.V. and Uber NL Holdings 2 B.V.<sup>95</sup> Given the complex global structure there is no way to know if the meagre \$112 million in income tax payments paid was in the Netherlands or elsewhere in the world.

The parent company on the other hand, Uber Singapore Holdings Pte. Ltd., paid only \$1.8 million in income tax on pre-tax profits of \$775.1 million in 2019, resulting **in an effective tax rate of 0.23%**.<sup>96</sup> At the Singapore tax rate of 17%, the tax charge would have been \$131.8 million, but was reduced as \$132.8 million of income was “not subject to tax”.<sup>97</sup> It appears that virtually all of the company’s income was derived from \$781 million in interest income receivable from related corporations. In Singapore and some other jurisdictions, interest income is often not subject to corporate income tax.

On “31 March 2020, the Company, declared and paid a one-tier tax exempt interim dividend” for the 2019 financial year of over \$129 million to its shareholders.<sup>98</sup> Dividend income is often not subject to corporate income tax and in this case, it appears that no withholding taxes were paid either.

Uber Singapore Technology Pte. Ltd. had been owned by Uber International Holding B.V., but with the global restructure, Uber Singapore Holdings Pte. Ltd. acquired the company. However, in June 2019 the Uber Singapore Holdings Pte. Ltd. ceased to exist as it was amalgamated into Uber Singapore Technology Pte. Ltd.<sup>99</sup> Following the amalgamation, the company recorded a \$29.9 billion investment in Uber NL Holdings 1 B.V., and nearly \$21 billion in notes receivable.<sup>100</sup> Total acquired assets of \$51.2 billion were largely paid for with share issues valued at \$50.9 billion.<sup>101</sup> The impact of this restructure and significant issue of new shares is yet to be determined.

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<sup>93</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 9, Income statement.

<sup>94</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 61 Note 35 and page 11 Cash Flow statement.

<sup>95</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 60 Note 31.

<sup>96</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 12 Cash Flow statement and page 9 Income statement.

<sup>97</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 31 Note 10.

<sup>98</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 45 Note 26.

<sup>99</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 45 Note 25 and page 14 Note 1.

<sup>100</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 28 Note 4.

<sup>101</sup> Ibid.

Uber Singapore Technology Pte. Ltd. reports the note receivable of almost \$17 billion, mainly from Uber NL Holdings 1 B.V., and reports an interest income of \$780.9 million.<sup>102</sup> At the end of 2019, the investment in Uber NL Holdings 1 B.V. was valued at \$35.2 billion.<sup>103</sup> Despite reporting a loss, the value of Uber NL Holdings 1 B.V.'s shares increased by over \$5 billion.<sup>104</sup>

## Uber's Expansion Through Dodgy Deals and Tax Breaks

In the last two years, Uber has acquired Postmates, Drizly Inc. and Careem Inc., rapidly expanding their investment into the meal delivery business. Due to the imposed lockdown conditions, in the fourth quarter alone Uber earned \$10.05 billion in gross bookings, registering 130% growth.<sup>105</sup> While the pandemic - and resulting lockdowns - have limited ridesharing revenue, meal delivery has grown exponentially.

The Group has an established pattern of using shell companies for international acquisitions. Careem Inc. and its subsidiaries were acquired by Uber for \$3.1 billion in March 2019 using a Dutch shell company, Augusta Acquisition B.V.<sup>106</sup> This indirect wholly owned subsidiary of Uber acquired all assets and liabilities of Careem and was merged with the Dubai based platform company that offers ride-sharing, meal delivery and payment services in over 100 cities.<sup>107</sup> With this purchase Uber was able to monopolise the "ride-sharing" market in the Middle East, North Africa and Pakistan.

On the 3<sup>rd</sup> of January 2020, Uber Singapore Technologies Pte. Ltd. issued shares worth nearly \$3.1 billion to Uber Technologies, Inc. and Neben, LLC in exchange for \$230,000 in cash and shares in the Careem Group of companies. On the same day, the cash and Careem shares were transferred to Uber NL Holdings 1 B.V. in the form of a share premium contribution.<sup>108</sup>

Uber NL Holdings 1 B.V. also holds interests in other international ride-sharing and food delivery companies where Uber has sold its operations in exchange for substantial shares in other companies. The Dutch company holds 38% of the shares in MLU B.V. which is a joint venture with Yandex and also operates under the Uber and Yango brands in Russia and 17 other countries in Eastern Europe, Africa and the Middle East.<sup>109</sup> Uber NL Holdings 1 B.V. also

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<sup>102</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 9 Income statement.

<sup>103</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, pages 34-35 Note 15.

<sup>104</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, pages 34-35 Note 15.

<sup>105</sup> Lizette Chapman. February 11<sup>th</sup> 2021. *Bloomberg Quint*. "Uber CEO Sees Ride-Hailing Rebounding Faster Than Other Transit". Access here: <https://www.bloombergquint.com/onweb/uber-ceo-sees-ride-hailing-rebounding-faster-than-other-transit>

<sup>106</sup> As per the 10-K SEC filings of Uber Technologies Inc as filed with the Securities and Exchange Commission on April 11, 2019, page F-82.

<sup>107</sup> Zahid Lilani. November 23<sup>rd</sup> 2019. *Tech Shaw*. "Uncertain Future of Uber's Acquisition of Careem". Access here: <https://techshaw.com/uncertain-future-of-ubers-acquisition-of-careem-162e5c07104b>

<sup>108</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 45 Note 26.

<sup>109</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 25 Note 7.

holds 15% of the shares of Didi, which operates in China.<sup>110</sup> In January 2020, Uber NL Holdings 1 B.V. divested its Uber Eats business in India in exchange for 10% of the Zomato business.<sup>111</sup>

Uber's 2018 sale of operations in Southeast Asia to Grab Holdings Inc. in exchange for shares in Grab were structured through Apparate International C.V., a shell company incorporated in Bermuda.<sup>112</sup>

The Uber Group does not shy away from accepting state incentives even though it operates as a global structure. Uber Ireland Center of Excellence Limited was granted a €2 million interest rate subsidy under the Regional Aid (Industry and Services) Scheme General Block Exemption Regulation 2014-2020 by Department of Business, Enterprise and Innovation<sup>113</sup>. In 2019, Uber Technologies, Inc. was awarded \$24 million worth of tax breaks by the Texas Enterprise Fund. "(...) Also in line for city and county tax breaks", upon addition, the incentive package offered to Uber increased to \$36 million.<sup>114</sup> While this may not sit at the core of Uber's tax avoidance strategy, there is no denying that it is using taxpayer money to subsidise its dubious behaviour.

## Conclusion

Uber is one of the most well-known and ubiquitous of a new type of company, using digital platforms to expand rapidly and operate in every region of the world, without significant physical infrastructure. This report has shown how the business model of Uber operates and how it avoids current and future tax responsibilities. The Netherlands sits at the heart of this structure and plays a central, and crucial, role in Uber's global tax dodging.

It is no coincidence that the names repeatedly mentioned above, the Netherlands, Bermuda, Singapore, Delaware all feature prominently in Uber's corporate structure. These are jurisdictions that sit at or near the top of the Financial Secrecy Index<sup>115</sup> and the Corporate Tax Haven Index<sup>116</sup>, both produced by the Tax Justice Network. Uber appears to have set out to deliberately take advantage of the opportunities offered by such places. In doing so Uber has been enabled by one set of countries to rob other countries of the taxes it should be paying. As a direct result, public services are underfunded and inequality is further exacerbated.

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<sup>110</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 26 Note 8.

<sup>111</sup> 2019 Annual Report of Uber NL Holdings 1 B.V., page 56 Note 28.

<sup>112</sup> 2019 Financial Statements of Uber Singapore Technology Pte. Ltd., for year end 31 December 2019, page 29 Note 6 and page 35 Note 16.

<sup>113</sup> Ireland Aid Award. See here:

<https://webgate.ec.europa.eu/competition/transparency/public/aidAward/show/120325>

<sup>114</sup> Paul O'Donnell. August 26th 2019. *The Dallas Morning News*. "Here's where Uber's \$24 million ranks among Texas' biggest incentive packages". Access here: <https://www.dallasnews.com/business/2019/08/26/here-s-where-uber-s-24-million-ranks-among-texas-biggest-incentive-packages/>

<sup>115</sup> Financial Secrecy Index, February 18<sup>th</sup>, 2020. See here: <https://fsi.taxjustice.net/en/introduction/fsi-results>

<sup>116</sup> Corporate Tax Haven Index, May 28<sup>th</sup>, 2019. <https://www.taxjustice.net/2020/12/15/the-corporate-tax-haven-index-a-joint-research-centre-audit/>

India has been a front runner globally in attempting to tame the global digital platform companies and to bring them into its tax net. Yet Uber, with help from the Netherlands, appears to have circumvented India's rules, and in doing so, undermined India's sovereignty. Any possible responses by the Indian government are not known and would be subject to the usual confidentiality of taxpayer information.

Uber's apparent tax dodging is part of a wider pattern of corporate behaviour. The business model it uses, as with other digital platform companies, allows it to operate beyond many of the restrictions imposed on other companies and to work above the laws of any one state. To bring such companies back under control, the global tax system must evolve to be fit for purpose in the 21<sup>st</sup> century.

CICTAR has laid out some of the principles that need to be brought into play in a reformed tax system in a recent briefing note.<sup>117</sup> First and foremost, companies such as Uber need to be treated for tax purposes as what they are – a single global entity, and not a series of independent companies 'trading' with each other. The allocation of rights to tax Uber should be based on countries taxing an allocated proportion of the global profits, dependent on genuine economic activity in each country. In addition, far greater levels of transparency are required, and specifically a requirement for public Country-by-Country Reporting. At the end of February 2021, the European Union approved public Country-by-Country Reporting for multinationals like Uber, but important details of implementation are still to be determined.<sup>118</sup> Implementation of a strong public Country-by-Country Reporting standard will reveal the amount of profits shifted by Uber to the Netherlands and the damaging impact on funding for public services. Greater transparency will provide the urgency to other needed reforms to reign in Uber's abusive global practices.

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<sup>117</sup> Centre for International Corporate Tax Accountability and Research and Public Services International, October 27<sup>th</sup> 2020. Digital Profits Tax. *Special Brief*. See here: [https://pop-umbrella.s3.amazonaws.com/uploads/2ec01ba8-fe69-431b-9079-60a0e70c5f95\\_SPECIAL\\_BREIF\\_-\\_DIGITAL\\_PROFITS\\_TAX.pdf](https://pop-umbrella.s3.amazonaws.com/uploads/2ec01ba8-fe69-431b-9079-60a0e70c5f95_SPECIAL_BREIF_-_DIGITAL_PROFITS_TAX.pdf)

<sup>118</sup> Daniel Boffey, 26 February 2021, *The Guardian*, "EU states back plan to expose big companies' tax avoidance". <https://www.theguardian.com/world/2021/feb/26/eu-states-back-plan-to-expose-big-companies-tax-avoidance>

## Annexure

### An Estimate of Uber’s 2019 Unpaid Tax Responsibilities

The table below is an estimate of Uber’s unpaid tax liabilities in 2019 by region, of Uber’s global operations owned through Uber NL Holdings 1 B.V. in the Netherlands. Uber’s operations in the US, the global company’s single largest market, and China are excluded from this analysis. Operations in the US and China are not directly part of the Uber NL Holdings 1 B.V. structure. The methodology and sources are explained below. It is estimated that Uber should have paid an additional \$556 million in additional income taxes with a breakdown by region.

				Estimates by Region			25%*	
	2019	%		Expenses	Tax Paid <sup>(1)</sup>	Pre-Tax Profit <sup>(2)</sup>	Total Tax <sup>(3)</sup>	Tax Gap <sup>(4)</sup>
<b>Europe, Middle East &amp; Africa</b>	2,086	36%		1,132	40	954	239	199
<b>Latin America</b>	1,924	33%		1,044	37	880	220	183
<b>Asia Pacific</b>	1,243	21%		674	24	569	142	118
<b>North America (excl US)</b>	584	10%		317	11	267	67	56
<b>Total</b>	<b>5,837</b>	<b>100%</b>		<b>3,166</b>	<b>112</b>	<b>2,671</b>	<b>668</b>	<b>556</b>

Note(s):

<sup>(1)</sup> Tax paid is the total income tax paid of \$112 million from the same filing. <sup>(2)</sup> Pre-tax profit is the reporting revenue minus the estimate of legitimate expenses. <sup>(3)</sup> Assuming that the total tax is the result of applying a 25% tax rate to estimate pre-tax profits. <sup>(4)</sup> The final column represents the difference between the total tax estimate and the 2019 income tax paid.

The revenue numbers (USD millions) are from the 2019 financial statements of Uber NL Holdings 1 B.V. Regional percentages have been calculated and used for further regional breakdowns.

Expenses are the full amount reporting in the filing for marketing expenses (\$1,852 million) and employee expenses (\$979 million) and 15% of the total figure of \$2,235 million reported as “cost of services and materials”. The total estimate of actual expenses for companies under the Uber NL Holdings 1 B.V. umbrella is \$3,166. The attempt here is to estimate actual legitimate business expenses that Uber has made and eliminate the artificial internal related party transactions that are used to eliminate Uber’s taxable income at global and national levels.