

Big Tech Little Tax - an update

Introduction

In September 2025, Tax Justice Aotearoa (TJA) and Better Taxes for a Better Future campaign published the [Big Tech Little Tax \(BTLT\) report](#). The report examined how some of the largest companies in the digital and technology sector were minimising the tax they paid in Aotearoa New Zealand and offered some potential ways in which it could be challenged. This update includes the numbers from the companies' 2025 financial statements and looks at the position over the last 5 years to provide a broader perspective. What is immediately apparent is that little has changed since 2021 other than the numbers getting larger. The update also looks at some other companies which did not feature in the original report. The technical issues raised in the report continue to be valid and require action.

All data is sourced from the financial statements filed with the Companies Office. The figure for tax paid is derived from the cash flow statement from the previous year to take account of the time lag in paying tax. Therefore the tax paid for the 2025 year is not yet available. This is a better guide to cash tax paid than the notional liability shown in the statement of income. All numbers in the table are rounded to the nearest \$100,000.

Google New Zealand Ltd

Google NZ paid away about 92% of its revenue in so called “service fees” to an associated company in Singapore in 2021 and has continued to do so every year, In that period, its New Zealand revenues have increased by 66% and its payroll by about 50%. There are significant share based payments on top of the salary bill.

In that 5 year period, Google NZ has paid an aggregate sum of nearly \$4.75bn to Google Asia Pacific Pte in Singapore while its average annual payment of corporate income tax has been about \$6m

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	756.5	948.5	1,043.6	1,139.2	1,259.2
Service fee	697.8	870.4	959.4	1,052.0	1,166.2
% of total revenue	92.2%	91.8%	91.9%	92.3%	92.6%
Employee payroll	21.4	27.4	32.1	29.9	31.2
Return on sales	18.2	25.0	22.8	28.9	31.5
Return on sales %	2.4%	2.6%	2.2%	2.5%	2.5%

Tax paid	4.5	5.2	9.0	6.0
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Amazon Web Services New Zealand Ltd

If we look at Amazon Web Services New Zealand Ltd (AWS NZ), we can see that its revenues have increased by over 400% in the same 5 year period. The amount paid out as a service fee to its parent and other group companies quickly rose in 2022 to over 70% of revenue and has remained at that level. The salary bill rose to \$60m in 2022 and has remained at about that level and like Google, significant share based remuneration is on top of that number.

AWS NZ has therefore paid away almost \$1.25bn to Amazon group companies over the 5 years while paying just over \$10m in tax.

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	93.7	372.0	384.6	425.7	479.5
Service fee	32.5	277.8	285.5	306.8	353.1
% of total revenue	34.7%	74.6%	74.2%	72.1%	73.6%
Employee payroll	40.3	58.3	62.6	53.4	60.0
Return on sales	(4.0)	(6.0)	(6.8)	21.1	15.6
Return on sales %	(3.9%)	(1.6%)	(1.8%)	4.9%	3.2%
Tax paid	0	0	5.2	5.3	

Uber companies

Two companies which were not looked at in detail in the [Big Tech Little Tax report](#) were the two Uber operating companies, Portier New Zealand Ltd (UberEats) and Rasier New Zealand Ltd (Uber Rides). These companies' operations are also largely driven by IP. The principal activity of both companies is described in their financial statements as "supporting proprietary technology applications".

The financial statements for both companies also show a remarkable similarity to Google and Facebook with regard to the size of the "service fee" paid out to associated group companies. Rasier pays out well over 90% of its revenue (there's small drop in 2025) and Portier pays out an even greater proportion of its gross profit after payments to its merchant partners (mostly restaurants and fast food outlets). The outcome, not surprisingly, is both companies report very little in the way of taxable profits in New Zealand and pay almost no corporate income tax.

Rasier NZ

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	59.3	84.2	109.8	103.7	110.7
Service fee	49.2	79.1	99.7	98.6	97.2
% of total revenue	82.3%	94.0%	90.8%	95.0%	87.8%
Return on sales %	1.9%	1.9%	1.6%	2.2%	1.7%
Tax paid	0.6	0.4	0.8	0.9	

Portier NZ

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	159.4	241.4	255.8	298.4	367.3
Gross profit	72.0	97.3	103.1	118.2	143.7
Service fee	67.8	95.7	100.5	113.7	140.2
% of total revenue	94.2%	98.3%	97.5%	96.2%	97.6%
Return on sales %	0.5%	0.3%	0.7%	0.9%	0.7%
Tax paid		0.6	0	1.7	

Facebook New Zealand Ltd

Turning to Facebook New Zealand Ltd (Facebook NZ), its 2025 financial statements also maintain the pattern of previous years of paying out over 90% of revenues in service fees. With an estimated 2m users in New Zealand, the total revenue reported also seems low and suggests that the methodology for allocating income between different jurisdictions may differ from that used by Google. In particular, the modest growth in revenues from 2022 to 2025 seems surprising given the performance of almost every other technology company in New Zealand.

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				

Year ended 31/12	2021	2022	2023	2024	2025
Revenues	90.8	158.0	166.5	167.0	174.8
“purchase of services”	84.3	149.3	157.4	159.4	166.4
% of total revenue	92.8%	94.5%	94.5%	95.4%	95.2%
Return on sales %	3.1%	2.2%	3.9%	3.3%	2.2%
Tax paid	1.1	0.5	2.2	0.9	

Service fees or royalties?

Although these fees are described as being for services as noted in the [Big Tech Little Tax report](#), it seems highly unlikely that technical or support services worth hundreds of million dollars a year would be required by New Zealand subsidiaries.

The technological IP underpinning operating platforms, algorithms and cloud offerings is secret proprietary information and is the lifeblood of these businesses. The NZ subsidiaries should expect to pay for the right to exploit it in their home market – but only at an arm’s length rate. Consideration for such rights falls within the definition of a royalty – both in NZ’s domestic law and in our double taxation agreements. That is the case regardless of how it may be described in inter-company documentation.

Microsoft New Zealand Ltd (“Microsoft NZ”)

Microsoft NZ’s financial performance eclipses that of Google NZ by rising nearly 100% in the last 5 years while its payroll costs increased by less than 20%.

Microsoft’s financial statements show some interesting trends over the 5 year period to 30 June 2025. The proportion of overall revenue from “services and others” (no more precise description is given) increases from about 55% to 75%. The only other sources of revenue are from the sale of products – a reasonable assumption is that this refers to hardware and peripherals and off the shelf retail software such as Office 365 - and a smaller amount of commission for unspecified activities.

“Services and other” therefore seem likely to relate to cloud services and software licensing together with associated support and updates usually as part of the software being licensed to a business end user but may include some consulting.

It is noticeable that at the same time as revenue from software and cloud activities increases so does the amount paid out in purchases (from 69% of revenue in 2021 to 84% in 2025). This increase therefore seems likely to be referable to cloud services and software licensing. If it is assumed that the proportion of purchases

relating to software licensing etc is the same as the proportion of revenue derived from “Services and Others”, Microsoft has paid away over \$3bn to other group companies in the last 5 years.

Microsoft NZ appears to make the software available to large business end users through local “partners” but uses the Microsoft Cloud, Software and Services Agreement (MCSSA) for government contracts (such as the licensing of CoPilot to government departments).

It seems to be self-evident that Microsoft NZ can only licence the software either through partners or direct to government because it has been granted the right to do so by the owner of the IP or another associated party which has itself been granted the right to sub-license the software.

The BTLT report noted that the OECD commentary on Article 12 of the model Double Taxation Agreement which covers royalties:

*“13.1 Payments made for the acquisition of partial rights in the copyright (without the transferor fully alienating the copyright rights) will represent a royalty **where the consideration is for granting of right to use the program in a manner that would, without such license, constitute an infringement of copyright. Examples of such arrangements include licenses to reproduce and distribute to the public software incorporating the copyrighted program, or to modify and publicly display the program.***

***In these circumstances, the payments are for the right to use the copyright in the program (i.e. to exploit the rights that would otherwise be the sole prerogative of the copyright holder).** It should be noted that where a software payment is properly to be regarded as a royalty there may be difficulties in applying the copyright provisions of the Article to software payments since paragraph 2 requires that software be classified as a literary, artistic or scientific work. None of these categories seems entirely apt.*

The copyright laws of many countries deal with this problem by specifically classifying software as a literary or scientific work. For other countries treatment as scientific work might be the most realistic approach”.

If payments made by Microsoft NZ which are classified as “purchases” in their financial statements were in substance - and applying the OECD commentary – consideration for the grant of the right to license software, there should be a withholding tax of at least 5% applied to the payments. Given the size of the numbers, this could be a significant amount.

A third trend over the 5 year period is an unexplained downward drift in the return on sales to just over 4% ,which seems extraordinarily low for a company with a payroll of well over \$100m primarily engaged in the volume licensing of software and the delivery of cloud services to businesses and which has doubled its revenue in New Zealand in that period. Many basic wholesale distribution operations will have a margin at or above this level.

Year ended 30/6	2021	2022	2023	2024	2025
	\$ million				
Total Revenues	774.7	1,056.0	1,177.2	1,320.2	1,535.0
Revenues from “services and others”	435.8 (56.3%)	588.2 (55.7%)	806.4 (68.5%)	987.6 (74.8%)	1,157.8 (75.4%)
Purchases from related parties (likely to be mainly in respect of software licensing)	538.0	764.2	889.8	1,074.8	1,289.6
% of total revenue	69.4%	72.3%	75.6%	81.4%	84.0%
Employee payroll	90.8	101.8	120.0	107.3	108.2
Return on sales %	4.6%	4.8%	4.6%	4.2%	4.1%
Tax paid	14.7	21.1	6.3	22.4	

Microsoft and Amazon data centres

Both Microsoft and Amazon also operate data centres in New Zealand through Microsoft 6399 New Zealand Ltd and Amazon Data Services Ltd. The companies have opted for different business models with Microsoft constructing its own data centres and Amazon – reversing an earlier announcement – leasing and equipping premises. However one thing the two companies have in common is that the revenue generated by the centres is not reported in New Zealand. Instead the two companies are remunerated for services they provide. In the case of Microsoft, these services are provided to Microsoft Ireland Operations Ltd and the revenue is described as “commission”. This appears to be a variation on the “service company” model described in the [Big Tech Little Tax report](#).

We therefore have no idea what the actual revenue generated by data centres located in New Zealand is but it is reasonable to conclude that it is substantially greater than the amounts being reported as revenue by the two companies (\$228m and \$124m for Microsoft and Amazon respectively in their accounting periods ending in 2025).

Oracle New Zealand

Turning now to Oracle New Zealand (Oracle NZ), the feature which stands out most clearly is its very low operating margin every year. This is, as noted in the [Big Tech](#)

[Little Tax report](#), disguised by the inclusion of its interest income from loans to group companies as revenue in the top line of the income statement . This is an unusual presentation and the true picture regarding the operating margin only emerges when this is stripped out.

Over 80% of Oracle NZ’s revenue, according to the breakdown in its financial statements, comes from cloud licensing and associated support and it continues to pay out over 60% of its total revenue (and therefore probably more like 75% of its cloud licensing revenue) as a “sub-license fee” to its immediate parent in Ireland. The aggregate sum paid out over the past 5 years is over \$500m and during that time, Oracle NZ appears to have paid about \$5m (net) in corporate income tax.

The question of the true character of the sub-licensing fees was raised in the [Big Tech Little Tax report](#). If these are in substance royalties then a 10% withholding tax should be paid rising to 20% for any part of that payment which is “excessive” i.e. greater than would have been agreed between arm’s length parties.

Year ended 31/5	2021	2022	2023	2024	2025
	\$ million				
Revenues	160.8	174.0	168.0	172.7	165.5
Sub-Licence fee	98.2	98.9	101.9	105.3	106.9
% total revenue	61.2%	56.1%	60.7%	61.0%	64.6%
Payroll	25.8	28.3	31.0	29.3	30.0
Return on sales %	1.1%	0.4%	0.6%	0.4%	(0.2)
Tax paid	(0.4)	3.1	(0.4)	3.0	

SAP New Zealand Ltd

Although not one of the companies featured in the [Big Tech Little Tax report](#), it is worth looking, as a comparison with Oracle NZ, at the financial statement of SAP New Zealand Ltd (SAP NZ) because it is a company with a broadly similar sized business in New Zealand to Oracle NZ and is engaged in very similar activities.

SAP’s operating margin is significantly higher than Oracle’s in every year and varies materially from year to year indicating that the transfer pricing arrangements are not intended to target a particular return as seems to be the case for example for Microsoft NZ. This variability is what one would expect to see in an arrangement between arm’s length parties where each party is bearing its own market and entrepreneurial risk. The financial statements show that about 70-75% of SAP NZ’s revenue is derived from software and cloud licensing and support services compared with about 80% for Oracle NZ. However the licence fees paid to associated parties

by SAP NZ appear to be materially lower than those paid by Oracle NZ which are 70-80% higher than those paid by SAP as a proportion of revenue in recent years. This helps to explain why, even in poor years, the operating margin of SAP NZ is many times greater than that of Oracle NZ.

One other point to note is that until the year ended 31 December 2023, SAP NZ’s financial statements referred to “royalties” – this then changed to “licences”. This is a possible indication that the characterisation of the payment has been changed so that there is no longer a withholding tax obligation. This potential mischaracterisation of royalties is one of the key issues which was raised in the [Big Tech Little Tax report](#).

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	184.0	187.4	192.3	217.9	251.9
Royalties/Licences	66.1	65.6	66.5	76.3	85.7
% of total revenue	35.9%	35.0%	34.6%	35.0%	34.0%
Payroll	37.8	40.2	46.1	48.7	45.5
Operating margin	8.8%	3.1%	4.2%	5.6%	8.0%
Tax paid	3.4	2.4	7.9	5.2	

Two other companies which did not feature in the BTLT report are worth looking at for different reasons.

Samsung Electronics New Zealand Ltd

Samsung Electronics New Zealand Ltd (Samsung NZ) is a well-known provider of technology hardware rather than software or cloud products. It has a big physical footprint in New Zealand and spends around 8% of its revenues on advertising every year. The return on sales also seems extraordinarily low for premium technology products.

Samsung was one of the top 5 most valuable brands in the world in 2024-5. If Samsung NZ is spending 8% of its revenues on advertising, it seems highly likely that it has a *de facto* right to use and exploit Samsung’s brand IP and that the payment for this right is embedded in the cost of the products which Samsung NZ imports into New Zealand. Assuming that is the case, a party paying a royalty for rights to valuable brand IP and spending large amounts on marketing to exploit that right would not, in arm’s length arrangement be expecting to make such a modest return on sales.

Year ended 31/12	2021	2022	2023	2024	2025
	\$ million				
Revenues	724.3	825.3	799.3	777.0	758.0
Advertising	60.0	61.8	61.0	59.0	58.1
Employee payroll	16.1	15.4	17.7	17.4	17.1
Return on sales	15.8	20.2	24.8	19.1	20.8
Return on sales %	2.2%	2.4%	3.1%	2.4%	2.7%
Tax paid	5.8	7.6	7.1	5.5	

Samsung's main competitor is Apple Sales New Zealand. However that company has a much smaller physical footprint with operating costs only about 1% of revenues, which are comfortably over \$1bn. It does not appear to carry out any significant marketing activities and still reports a return on sales greater than that of Samsung.

Hewlett Packard New Zealand Ltd

This company is one of the two created when Hewlett Packard split its software/technology services offering from the manufacture and sale of laptops, printers etc. Hewlett Packard New Zealand Ltd's (Hewlett Packard NZ) activities are closer in nature to those of Microsoft, Oracle and SAP. The financial statements describe the company's activities as providing

“secure software defined technology and services that enable customers to move data seamlessly across their hybrid IT environments and power the intelligent edge that runs campus, branch and Internet of Things (“IoT”) applications.”

So it seems likely that the company is providing licensed software and associated support services. Hewlett Packard makes most of its purchases from a company called Hewlett Packard International SARL (HPIS), a regional “hub” located in Geneva. This is likely to be a low tax jurisdiction and, given its location, unlikely to ever take physical delivery of products it sells to the New Zealand company. In addition, the nature of some of the purchases is uncertain given that the total included in the related party disclosures is greater than the sale of products by Hewlett Packard NZ except in 2025.

There are therefore issues around the character of some of the purchases (including whether there are embedded royalties) and the potential diversion of profits to Switzerland given the very low operating profit reported in New Zealand.

Year ended 31/10	2021	2022	2023	2024	2025
	\$ million				

Sale of goods	80.4	88.0	90.8	99.6	97.7
Sale of services	51.9	55.6	64.5	72.8	77.3
Total Revenues	132.3	143.6	155.3	172.4	175.0
Purchases from HPIS	107.2	107.7	111.8	118.1	70.7
Employee payroll	15.7	17.5	17.8	18.9	18.9
Return on sales %	0.8%	2.4%	2.0%	2.0%	3.1%
Tax paid	0	0	0	2.0	

The missing companies

There remain a number of significant companies which are not required to file financial statements with the Companies Office because they did not meet at least one of the following criteria

- *At the balance date for each of the 2 preceding accounting periods, the total assets of the company and its subsidiaries was more than NZ\$22 million.*
- *In each of the 2 preceding accounting periods, the total revenue of the company and its subsidiaries was more than NZ\$11 million.*

These companies include MasterCard NZ, Netflix NZ, Booking.Com, AirBnB even though it is obvious that the revenues earned in New Zealand by these groups are going to be many times greater than \$11m.

For example, Netflix with an estimated 1.2m accounts in New Zealand and a monthly subscription of \$17 is probably earning revenues of around \$250m from the New Zealand market.

Similarly Booking.Com will have negotiated partnerships with thousands of accommodation providers in New Zealand enabling it to earn a commission when the accommodation is booked via its website.

As set out in the [Big Tech Little Tax report](#), these companies operate a “service company” model in which the New Zealand subsidiary is remunerated for services while the revenue generated by the activities of the subsidiary here is paid offshore.

Conclusion

The overarching conclusion is that most of the main players in the technology sector in New Zealand are engaged in some form of tax minimisation. This is not new – this

report looks back 5 years and there is little evidence of any significant change in behaviour in that period.

The issues are broadly the same throughout this period – potential transfer pricing issues resulting in inflated prices being paid for services (or more likely access to IP), software licensing rights or hardware/peripherals. These have given rise to operating margins below 3% for most of the largest overseas owned companies in the sector. For context, Inland Revenue’s International Compliance Focus document suggests that distributors returning less than 3% would be regarded as posing a transfer pricing risk.

More specifically, the Australian Tax Office’s Practical Compliance Guide (PCG) 2019/1, updated at the end of 2025 sees anything below a 4.1% margin as high risk and anything above 5.4% as low risk for what it terms “category 2 distributors” in the information and communication technology (ICT) sector. These are companies engaged in complex sales processes and long term client relationship managers. This seems likely to include many of the companies discussed above.

Therefore instead of 2.5 or 3%, we might expect to see an operating margin of at least 5% and quite possibly higher.

The other issue is that of the mischaracterisation of payments to avoid withholding tax obligation. It’s worth noting that this is probably not confined to the technology sector. Any subsidiary exploiting brand IP in the course of marketing activities in New Zealand is likely to be paying for that right through the transfer price of the products they are importing and distributing. Many of the brands are ranked in the top 100 in the world and it is inconceivable that the owners would allow them to be used without any compensation.

The following table summarises the size of this issue. By estimating the potential withholding tax payable over the last 5 years by the companies discussed above. And this does not include those companies operating a service company model and/or do not disclose their financial statements. Nor does it include any companies outside the digital/technology sector where embedded royalties may be an issue. The total may therefore be regarded as a conservative estimate of the tax loss over the last 5 years.

Company	Paid offshore 2021-25	Notional withholding Tax	
		At applicable treaty rate	Actually paid
Google NZ	4,745.6	237.3	0.0

AWS NZ	1,255.7	62.8	0.0
Microsoft NZ	3,400*	170	0.0
Oracle NZ	511.2	51.1	0.0
SAP NZ	228.5	22.8	0.0
Rasier NZ	326.6	16.3	0.0
Portier NZ	377.7	18.8	0.0
Facebook NZ	550.4	55.0	0.0
Total	11,395.7	634.1	0.0

* Estimated

This second table looks at those companies with a large physical footprint in New Zealand which are likely to have significant numbers of highly remunerated employees. These would be “category 2 ICT distributors” under the criteria used by the Australian Tax Office. It compares the aggregate operating profits disclosed by their financial statements over the past 5 years with those which would arise from a 5% return on sales. 5% may well be a conservative number for some of these companies. The figures indicate a potential loss of tax of over \$100m over the last 5 years from the understatement of profit.

Company	Aggregate operating profit 2021-25	Aggregate operating profits 2021-25 at 5% return on sales	Difference	Tax at 28% on difference
Google NZ	126.4	257.4	131.0	36.7
AWS NZ	19.9	87.8	67.9	19.0
Microsoft NZ	258.8	293.1	34.3	9.6
Oracle NZ	3.9	42.0	38.1	10.7
Samsung NZ	100.7	194.2	93.5	26.2
Total	509.7	874.5	364.8	102.1

The [Big Tech Little Tax report](#) looked at developments in Australia (where the same tax issues have arisen in respect of the same multinational groups as in New Zealand) and since then the Australian Tax Office has published a Decision Impact Statement on the PepsiCo case decided last year in the High Court which was discussed in the [Big Tech Little Tax report](#). The following extracts are of particular relevance to the issue of embedded royalties and how contractual arrangements should be construed. The ATO has here emphasised its determination to fully investigate cases where embedded royalties are thought to be present.

It is important to identify the totality of the relevant bargain

58. This decision also reflects the importance of correctly identifying the 'agreement' that is to be analysed for whether there is a royalty. That the relevant 'agreement' to be analysed can be framed more broadly than a single contract and may be a composite of multiple contracts is a conventional approach, and ultimately a factual question.

59. Noting the Court's endorsement that the relevant arrangement can extend beyond a single contract, we will continue to seek to obtain documents and information necessary to understand the nature of the arrangements between the parties and their associates where there is a dealing in IP. This could include seeking copies of contracts, details of dealings between relevant parties and details of the negotiations which informed those contracts and dealings.

Embedded royalties

60. The decision does not disturb our view that, depending on the relevant facts and circumstances, a royalty may be found notwithstanding rights to use IP have been 'embedded' into amounts labelled as consideration for something that is not IP, such as a good or a service. **The characterisation of a payment is not determined by the label attached to it by the parties (for example, stating it as being for goods or services, or being 'royalty-free'), or how it is computed.**

61. The decision in *PepsiCo* does not establish any broad proposition that the characterisation of a payment under a contract – whether involving arm's length parties or related parties – can never be challenged. We continue to examine the arrangements of related parties closely.

62. The Court's observation in this case as to the 'criticality' of our not contending that the pricing of concentrate was inflated^[23] is consistent with the potential for pricing evidence to be relevant for a characterisation analysis. In future cases involving royalty characterisation, **we will seek to understand and, if necessary, test, the economic fundamentals of arrangements that involve provision of IP but where no royalty is recognised. This may include, but is not limited to, seeking evidence for the values of IP rights being supplied under an arrangement, as well as the values of other property or things being exchanged.**

(emphasis added)

In a New Zealand context, we are not saying it is an easy fix but we need to be proactive. These cases require extensive investigation often requiring a deep dive into the company's internal operations and those of the group companies with which the New Zealand subsidiary transacts. There is likely to be some resistance to this approach (as there has been in Australia) because of the amount of tax involved and the potential for the same issues to arise in multiple jurisdictions. The resources needed include experienced investigators, transfer pricing specialists, economists and lawyers.

Ultimately the law as it stands will need to be tested before the courts. Only then will we know if any further measures are needed.

As noted throughout this update, it is an ongoing issue, and TJA will be continuing to monitor the position.