



AMAZON AND ITALY TAX DISPUTE

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An insight into the ongoing Amazon and Italy tax dispute.

OVERVIEW:

Amazon is currently under intense scrutiny from Italian tax authorities over allegations of evading €1.2 billion in value-added tax (VAT) payments. This issue is around the sales of goods from China and many other non-EU countries on Amazon from 2019-2021.

This is a part of European efforts to hold US Tech companies accountable for their business practices and ensuring rules and regulations are followed in accordance with their frameworks.

WHAT IS INCLUDED IN THE DISPUTE CLAIM?

Italy's has claimed the following—€3 billion, including back taxes, interest, and penalties, with an emphasis on the low-value goods (under €150) sold by third-party sellers on Amazon's marketplace. During this period, the EU was undergoing changes on how to collect VAT, with an aim to cut down on the widespread tax evasion.

Amazon has contended against this claim, urging that they are "committed to complying with all applicable tax laws." The company has also argued that their contributions to the Italy's economy are contributing over €1.4 billion in direct and indirect tax revenues in 2023.

ACTIONS TAKEN BY ITALIAN PROSECUTORS:

Italian prosecutors have now launched an investigation into Amazon and three of its executives. Concerns were first reported in 2021 by *Corriere della Sera*, after routine tax police checks near Milan. The basis of these claim is hung upon suspicions that Amazon's algorithm allows non-EU sellers (primarily Chinese merchants) to sell in Italy while avoiding VAT payments by via hidden identities on the platform.

The prosecutors have placed Amazon's Luxembourg-based European unit and three of its managers under investigation for tax fraud related to online sales between 2019-2021.

Unfortunately for Amazon, if the allegations are proven true, they could have significant implications for Amazon's business model across Europe, considering VAT regulations are standardised across the EU.

TIMELINE OF CHANGES IN VAT RULES:

Prior to 2021, individual sellers were responsible for registering and paying VAT in each EU country where they sold goods. This system was then proven to be flawed as led to billions in tax losses. As a call for reform, the EU then amended the VAT rules and placed the responsibility directly onto Amazon- making them liable for collecting and paying VAT. They also removed tax exemptions for imported goods under €150- as this was giving foreign sellers an unfair advantage over European businesses.

However Italy spotted causes of concerns earlier as in 2019, they introduced their own law holding online platforms responsible for VAT fraud by third-party sellers. This is now the

foundation of the claim against Amazon.

INVESTIGATOR'S FINDINGS SO FAR:

The Italian financial police- The Guardia di Finanza has reviewed roughly 7 billion transactions on Amazon between 2019- 2021. So far, they have found an astounding €1.2 billion in unpaid VAT. Notably, 70-80% of online sales in Italy during that period involved Chinese sellers.

AMAZON'S PREVIOUS LEGAL TROUBLES:

Amazon is not unknown to the Italian authorities. In July 2024, Italian tax police seized €121 million from an Amazon subsidiary as part of an ongoing investigation into illegal labour practices and rumoured tax fraud. Prosecutors accused Amazon Italia Transport- Amazon's logistics arm of using cooperatives and shell companies to evade tax and labor laws- in particular by avoiding VAT duties and reducing social security payments.

Amazon denied any wrongdoing, arguing that they had complied with the relevant laws and regulations.

CONCLUSION:

Amazon's dispute with Italian tax authorities is a test for the government on how well they can regulate Big Tech and enforce tax laws. There has certainly been an increase in authorities raising and investigating any suspected tax loopholes, which has led to global tech giants facing urgent pressure to ensure compliance. The outcome of this case could set precedent for digital market platforms across Europe.