Apple paid only 2 pct tax on earnings outside US (Update)

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In this Friday, Nov. 2, 2012, photo, customers wait in the Apple store in Hong Kong to buy Apple's iPad Mini. Apple Inc. paid a rate of only 1.9 percent income tax on its earnings outside the U.S. in its latest fiscal year, a regulatory filing by the company shows. The world's most valuable company paid $713 million in tax on foreign earnings of $36.8 billion in the fiscal year ended Sept. 29, according to the financial statement filed on Oct. 31. (AP Photo/Vincent Yu)

Apple Inc. paid an income tax rate of only 1.9 percent on its earnings outside the U.S. in its latest fiscal year, a regulatory filing by the company shows.

The world's most valuable company paid $713 million in tax on foreign earnings of $36.8 billion in the fiscal year ended Sept. 29, according to the financial statement filed on Oct. 31. The foreign earnings were up 53 percent from fiscal 2011, when Apple earned $24 billion outside the U.S. and paid income tax of 2.5 percent on it.

The tech giant's foreign tax rate compares with the general U.S. corporate tax rate of 35 percent.

Apple may pay some income taxes on its profit to the country in which it sells its products, but it minimizes them by using various accounting moves to shift profits to countries with low tax rates. For example the strategy known as "Double Irish With a Dutch Sandwich," routes profits through Irish and Dutch subsidiaries and then to the Caribbean.

In this Friday, Nov. 2, 2012, file photo, a staff member of Apple Inc. hands a iPad Mini to a customer in Hong Kong. Apple Inc. paid a rate of only 1.9 percent income tax on its earnings outside the U.S. in its latest fiscal year, a regulatory filing by the company shows. The world's most valuable company paid $713 million in tax on foreign earnings of $36.8 billion in the fiscal year ended Sept. 29, according to the financial statement filed on Oct. 31. (AP Photo/Vincent Yu)

Other multinational corporations also use such tax techniques, which are legal.

Like other big companies, Apple leaves cash overseas. If it brought it home to the U.S., it would have to pay U.S. corporate taxes on the money. The cash that Apple has left overseas as of Sept. 29 has mounted to a stunning $82.6 billion, up from $74 billion as of June 30.

Where Apple does differ from other companies is that it sets aside a portion of the foreign profits, marking them as subject to U.S. taxes sometime in the future.

When Apple reports quarterly results, it records that portion of the taxes as a liability, which is subtracted from its profits even though it hasn't actually paid the taxes.

Tax experts say the company could easily eliminate these "phantom" tax obligations. That would boost Apple's profits for the past three years by as much $10.5 billion, according to calculations by The Associated Press reported in July.

While investors might rejoice if Apple suddenly added $10.5 billion to its profits, unilaterally erasing a massive U.S. tax obligation could tarnish its reputation as a relatively responsible payer of U.S. taxes. Instead, the company is lobbying to change U.S. law so that it can erase its liabilities in a less conspicuous fashion.

Overall Cupertino, California-based Apple had net income of $41.7 billion, or $44.15 per share, in fiscal 2012. That was up 61 percent from $25.9 billion, or $27.68 per share, in fiscal 2011.