

Apple, US lawmakers in offshore tax showdown

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A Senate panel has called Apple chief executive Tim Cook and others from the California tech giant to testify at a hearing Tuesday on "methods employed by multinational corporations to shift profits offshore."

The hearing comes amid increased scrutiny on offshore holdings of big US corporations, which have hundreds of billions overseas but are reluctant to bring the funds home because they could be subject to a top tax rate of 35 percent.

Apple is in focus because of its \$145 billion cash stockpile, much of it offshore. The company recently sold \$17 billion in bonds to raise cash instead of repatriating profits, which would be taxed.

Cook told The Washington Post he will be offering his own proposal to lawmakers, which he argued would make it easier for Apple and other companies to repatriate offshore profits.

"If you look at it today, to repatriate cash to the US, you need to pay 35 percent of that cash. And that is a very high number," Cook told the daily.

"We are not proposing that it be zero. I know many of our peers believe that. But I don't view that. But I think it has to be reasonable."

Cook declined to offer specifics but indicated he would propose a "simplification" of the corporate tax code when he testifies.

Apple "likely is the largest corporate taxpayer in the US," Cook said in the interview, estimating that the iPhone and iPad maker would pay \$7 billion this year in income taxes.

In a separate interview with the Politico news website, Cook sought to

deflect criticism that Apple is shifting profits to escape taxation.

"Apple is contributing in a lot of different ways to the economy, and we're very, very proud of it, particularly in the job-creation area and the work we do to protect our environment," Cook said.

"I hope to make some clear recommendations, and I trust there will be receptive parties there."

He added that the company is investing \$100 million in US manufacturing, as it brings back some production of computers from overseas.

The hearing will also include Apple chief financial officer Peter Oppenheimer and its head of tax operations, Phillip Bullock, along with tax experts from Harvard and Villanova University, and officials from Treasury and the Internal Revenue Service.

The question of offshore profits remains a hot topic with the US government facing high deficits and complaints rising about fairness in taxation.

A study by the activist group Citizens for Tax Justice found that some 300 of the Fortune 500 corporations collectively held \$1.6 trillion offshore at the end of 2011.

And the group said 10 big US firms including Apple and Microsoft added a total of \$106 billion to their offshore holdings last year.

Because these overseas profits are not subject to US tax unless the funds are brought back, the US government is expected to lose some \$600 billion in revenues in the next decade, according to a congressional estimate cited by the group.

While some argue that the shifting of profits overseas is a huge tax avoidance scheme, others say the situation calls for lower rates to encourage firms to repatriate funds and invest in the US economy.

Cisco CEO John Chambers told CNBC television this week that his company will likely invest more overseas if US tax laws are not modified.

"I prefer to have the majority of my employees here in America. That's the right decision for us, but if we can't bring our cash back, we're going to grow dramatically faster overseas in terms of job placements," he said.

"I think this is something our country has to fix."

But Citizens for Tax Justice said in a recent report that "the US statutory tax rate of 35 percent is almost entirely irrelevant" because of numerous loopholes.

"The total federal corporate income tax collected in the US in 2010 was equal to just 1.3 percent of our gross domestic product," a figure "much lower than are corporate income taxes in almost every other developed country," the group said.

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