

Apple to pay Italy 318 mn euros to settle tax fraud probe

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Apple's Italian subsidiary has been under investigation for allegedly failing to declare more than one billion euros in tax

Apple has agreed to pay Italy 318 million euros (\$348 million) to settle a tax dispute after the US tech giant was investigated for suspected fraud, the country's tax agency said Tuesday.

The company's Italian subsidiary and several of its senior executives had been under investigation for fraud over its alleged failure to comply with

obligations to declare its earnings in Italy between 2008 and 2013.

According to Italian daily La Repubblica, Apple Italia should have paid corporation [tax](#) of 880 million euros for the period.

After months of negotiations, the [tax authorities](#) agreed to close the case in return for a cheque for 318 million.

A spokesman for the tax agency confirmed the newspaper's report was accurate but would not divulge further details.

Apple Italia did not respond to a request for comment on a case which could set a precedent for other European countries' dealings with the company.

The settlement comes against a backdrop of mounting controversy over the tax arrangements of multinational groups who use cross-border corporate structures to reduce their tax bills, sometimes with the help of secret and potentially illegal 'sweetheart' deals.

Apple Italia is part of the company's European operation which is headquartered in Ireland, a country with one of the lowest levels of corporation tax in the European Union.



Apple chief Tim Cook had dismissed accusations that the company was sidestepping US taxes by stashing cash overseas and said: "We pay every tax dollar we owe"

Ireland taxes corporate earnings from normal business activities at a rate of 12.5 percent, which compares with a standard 27.5 percent rate in Italy.

Earlier this month, Apple chief Tim Cook described accusations that the world's richest company was sidestepping US taxes by stashing cash overseas as "political crap" and insisted: "We pay every tax dollar we owe."

The settlement of the tax dispute will not halt the criminal investigation into the conduct of three Apple Italia executives but will likely reduce

the severity of any sanctions they may face, La Repubblica said.

'Perfectly legal'

Apple's activities in Ireland are currently under investigation by the European Commission, which is due to announce soon whether tax breaks designed to secure the company's extensive investment in Ireland amounted to illegal state aid.

Apple's European operations have been headquartered at the southern city of Cork since 1980.

The company is in the process of expanding its workforce there to 6,000 and it has been followed into Ireland by other US tech firms including Twitter, Microsoft and Google.

Cook said on a visit to Ireland in November that he was confident the Dublin government and his company would be found to have done nothing wrong.

The issue of Apple's Irish arrangements is separate from but related to the broader one of multinational companies 'parking' revenues and profits in low-tax countries.

That issue has attracted increasing attention from lawmakers across Europe who argue that taxes should be paid in the countries where sales and profits are generated.

In October, the European Commission ordered both Italian auto giant Fiat and coffee chain Starbucks to pay around 30 million euros (\$34 million) in back taxes after they were found to have benefited from illegal deals in, respectively, Luxembourg and the Netherlands.

The ruling followed the so-called 'LuxLeaks' revelations that multinationals including Pepsi and Ikea had negotiated tax rates as low as one percent in return for headquartering their European activities in tiny Luxembourg.

The Luxembourg arrangements of online retailer Amazon and fast food giant McDonalds are also being scrutinised by Brussels.

The Grand Duchy is challenging the Fiat ruling through the European Court of Justice, arguing that most other EU states also offer special fiscal incentives to attract inward investment.

In the United States, Apple has come under fire in Congress for not declaring overseas earnings to the US tax authorities.

Cook has defended this as perfectly legal and sensible given that the company would be liable for 40% taxation if it repatriated all its earnings to the United States. "We have a tax code made for the Industrial Age, not the Digital Age," he complained in November.

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