

# Multi-billion Apple windfall puts Ireland in unusual bind

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The European Commission's demand for Apple to pay Ireland some 13 billion euros in back taxes has put the country in the strange position of refusing the windfall for fear of scaring away valuable investment.

Rather than welcoming the cash—equivalent to around five percent of its gross domestic product—the government has vowed to appeal the ruling, fearing an ever greatest cost to its economy and jobs.

Finance Minister Michael Noonan said he disagreed "profoundly" with Brussels while Apple chief Tim Cook warned the ruling threatened jobs and investment in Europe.

Cook said Apple, the world's most valuable company, was now in the "unusual position" of being asked to pay taxes to a government that says they are not due.

But opposition politicians urged Ireland, which has suffered years of austerity following a painful recession during the eurozone, to take the Silicon Valley giant's cash.

"EUR13bn Apple Tax could build 86,000 council houses. Shelter for Apple but none for the homeless," tweeted left-wing opposition politician Richard Boyd Barrett.

More than seven out of 10 people in a national radio poll also thought that Dublin should take the money, piling pressure on the government.

## 'Greater tax fairness'

But Ireland has to weigh up the cash windfall against the potentially more long-term damage the ruling could do to its image as a low-tax place to do business.

Multinationals with major operations in Ireland now employ more than 170,000 people—one in ten workers—and the [corporate tax](#) rate of 12.5 percent is one of the lowest in Europe.

This corporate tax regime has been one of the cornerstones of its strategy for attracting inward investment and it has been spectacularly successful in doing so in recent years.

With 5,000 workers and another 1,000 promised, Apple is the single biggest employer in Cork, Ireland's second-biggest city, and one of several US tech giants with their European hubs in Ireland.

Although the case pertains solely to Apple, the tax practices of other Dublin-headquartered multinationals such as Google and Facebook have been heavily criticised internationally in recent years.

On revenues of 12.4 billion euros in 2011, Google paid just 22 million euros in taxes in Ireland.

Irish MEP Brian Hayes said he feared the ruling could damage Ireland's future ability to attract investment, although it will likely be welcomed in many European capitals, particularly in Paris.

The Irish [corporate tax rate](#) has been widely criticised by Ireland's EU partners, while France is a leading critic of a race-to-the-bottom among EU member states to cut tax and social conditions to attract foreign investment.

"I have no doubt this will cause significant reputational damage to the country and that is why the government must appeal this decision," Irish MEP Hayes told national broadcaster RTE.

Investment house AJ Bell said in a note that the decision "could deter fresh investment by leading corporations, to the potential detriment of employment and income tax contributions".

## **'Rich with talent'**

Apple was quick to point out that it invested in Ireland when the country was struggling economically.

Cook noted that the company had opened its first facility in Cork in southwest Ireland in 1980 at a time when the area was beset by "high unemployment and extremely low economic investments".

"Apple's leaders saw a community rich with talent and one they believed could accommodate growth if the company was fortunate enough to succeed," he said.

"As our business has grown over the years, we have become the largest taxpayer in Ireland, the largest taxpayer in the United States, and the largest taxpayer in the world," he wrote.

Meanwhile, one trader said that Britain, which voted to leave the EU in June, could end up being the beneficiary.

"If Ireland cannot offer sweetheart deals within the EU, the City of London can perhaps offer something more appealing outside the bloc," said Neil Wilson from currency trader ETX Capital.

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