

Europe's Apple tax grab to spur US reforms: Lew

September 12 2016

Europe's order for Apple to pay 13 billion euros (\$14.6 billion) in back taxes could provoke US tax reforms and a significant break for firms repatriating offshore earnings, US Treasury Secretary Jacob Lew said Monday.

Lew said high US corporate tax rates drive companies to seek tax havens like Ireland, which offered Apple what the European Commission ruled was an illegally low rate to encourage it to invest there.

While he said that the EC move essentially raided potential US government tax receipts, Lew said the episode should give a boost to efforts to reform the US system.

"I would hope that the idea that a European Commission action will reach into our tax base and take US tax revenues and make them European tax revenues will help trigger this debate about tax reform," Lew said in a talk at the Council on Foreign Relations.

"If losing billions of dollars of our tax base to another authority isn't going to get people's attention, I don't know what will."

Lew has strongly criticized the European action as applying retroactive taxes on a company that had abided by the rules of Ireland, where the US tech giant enjoyed a special effective rate of just 0.005 percent, the European Commission said.

But he has also repeatedly insisted that the Apple profits retained in Ireland are subject to US taxation.

"Retroactively reaching into our tax base is something we find deeply troubling," he said.

"Which doesn't justify the behavior of seeking to avoid taxation," he added.

"I am not going to defend companies that seek either a zero or very low tax rate by taking advantage of tax havens and tax loopholes."

US companies have stockpiled some \$2.4 trillion in untaxed foreign-earned profits offshore, arguing that Washington needs to lower the statutory 35 percent [tax](#) rate for them to repatriate the funds to the United States.

Lew said he expects Washington to craft a one-off discount for the repatriation of offshore profits in the next year in order to bolster government revenues. The same was done in 2004.

"That will be a windfall," he said.

© 2016 AFP

Citation: Europe's Apple tax grab to spur US reforms: Lew (2016, September 12) retrieved 15 August 2024 from <https://phys.org/news/2016-09-europe-apple-tax-spur-reforms.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--