

Microsoft reports loss due to tax charge

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Microsoft on Wednesday reported a hefty loss in the past quarter, as it set aside billions of dollars for taxes on profits it expects to bring back to the United States following passage of a major tax overhaul.

The technology giant said its loss for the quarter to December 31 was \$6.3 billion—as it took a charge of \$13.8 billion to pay its taxes.

Revenue for Microsoft's fiscal second quarter rose 12 percent to \$28.9 billion as it saw gains in business services and cloud computing.

Once the world's largest technology company, Microsoft has been rebooting as consumers shift away from Windows-powered computers to mobile devices.

This has pushed Microsoft to focus on the internet cloud, artificial intelligence, and services for connected "internet of things" devices.

"This quarter's results speak to the differentiated value we are delivering to customers across our productivity solutions and as the hybrid cloud provider of choice," said Microsoft CEO Satya Nadella.

"Our investments in IoT, data, and AI services... position us to further accelerate growth."

Microsoft shares rose 2.45 percent in after-hours trade to \$95.01 as investors welcomed the results.

"Microsoft just keeps on trucking, showing success in modern business transformation," said Patrick Moorhead of Moor Insights & Strategy.

"The company is one of the few older tech companies who has been able to turn the corner and be relevant in the cloud, commercial AI and IoT. Microsoft has a long list of businesses who are doing these kind of activities with them."

Like other big multinationals, Microsoft is repatriating a large portion of its overseas cash holdings to take advantage of a favorable tax rate under the reforms championed by President Donald Trump and approved last year by Congress.

Microsoft has more than \$130 billion overseas, and its repatriation will trigger a US tax bill estimated at \$13.8 billion.

Microsoft has not said what it intends to do with its cash. Tech rival Apple has announced it would make major new investments with its repatriated profits.

The new bill implements a tax rate of 15.5 percent compared with a possible 35 percent rate under prior law.

Analyst Trip Chowdhry of Global Equities Research has been upbeat on Microsoft, predicting strong results earlier this month for the tech giant, largely due to its Azure cloud division which manages systems for companies and government agencies and competes against services from Amazon, Google and others.

"Enterprise IT budgets are opening up, and Microsoft is benefiting from overall improving IT spend," Chowdhry said in a research note.

Chowdhry added that Microsoft "seems to have a much better win rates with US federal government agencies" that rivals.

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