# EU Investigating Apple's Tax Dodge

Toby Sterling, Associated Press

AMSTERDAM (AP) — The European Union's antitrust regulator has launched an investigation into tax deals that Apple, Starbucks and Fiat struck with some European countries, the start of a wider push to keep multinationals from taking advantage of loopholes.

EU antitrust commissioner Joaquin Almunia said Wednesday a preliminary probe by his office has found the arrangements are improper, though the companies as well as the countries involved — Ireland, the Netherlands and Luxembourg — must be given a chance to respond.

"We have reason to believe at this stage that indeed in these specific cases the national authorities have (failed) to tax part of these multinationals' profits," Almunia said at a press conference in Brussels.

"When public budgets are tight and citizens are asked to make efforts to deal with the consequences of the (financial) crisis, it cannot be accepted that large multinationals do not pay their fair share of taxes," he said.

Apple has a deal with tax authorities in Ireland, Starbucks has one in the Netherlands and Fiat's financing arm has one in Luxembourg as part of their strategy to minimize the taxes they pay.

Almunia said that while such agreements are permissible in theory, they would be improper if they give the companies an advantage over competitors who can't benefit from the same deal.

Apple denied it had received any special treatment from the government of Ireland, where its European operations are based.

"Apple pays every euro of every tax that we owe," said spokesman Alan Hely.

Almunia said the three investigations announced Wednesday are part of a wider look into tax rules in various EU countries and "aggressive" tax planning by multinationals, which he said erodes countries' tax bases.

Asked whether Google might also be investigated, he said "this is the beginning, not the end of our work regarding how to enforce state aid rules (and) the way tax systems are being used."

He said nine other countries are under preliminary investigation.

The countries named Wednesday have been criticized — Ireland for its low tax rates, the Netherlands and Luxembourg as homes for shell companies, and all three

for a lack of transparency.

Almunia was at pains to say he is not criticizing the countries' overall tax regimes.

Ireland's Finance Ministry said in a statement it was "confident that there is no state aid rule breach in this case, and we will defend all aspects vigorously."

Almunia said that the current three investigations involve 'transfer pricing' — where a company allows one part of its operations to charge another for goods or services in one country in order to shift profits where it wants.

For instance, if Starbucks were to sell its coffee beans to subsidiaries around Europe at a higher than market price, that would increase profits in the Netherlands and decrease them elsewhere. If it receives a tax break in the Netherlands, it would have an unfair competitive advantage.

The Commission said transfer pricing is permissible if the prices a company charges its subsidiaries conform to market rates.

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