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# Apple's \$85 million tax bill is a fraction of its almost \$8 billion revenue



Apple's \$85 million tax bill for 2015 is slightly up from the year before, but still a fraction of its overall \$7.9 billion sales revenue. Getty Images



by Nassim Khadem

Apple paid \$85 million in Australian income tax last year, despite making almost \$8 billion in local revenue, accounts filed with the corporate regulator show.

Its tax bill is slightly up from the year before when it paid \$80.3 million, but a fraction of its overall \$7.9 billion sales revenue (up from \$6 billion in 2014).

The company, which is still [under audit by the Australian Taxation Office](#), recorded higher sales, marketing and distribution expenses of \$435 million and administrative expenses of \$30.7 million.

Its profit after tax was \$123 million, down from \$171.5 million the year before.

The figures, disclosed in accounts filed with the Australian Securities and Investments Commission on the night before Australia Day, follows a Senate inquiry into corporate tax avoidance where Apple, Google and Microsoft executives were grilled.

In a statement to Fairfax Media an Apple spokesman said: "Apple Australia pays all taxes it owes in accordance with Australian law."

## ATO audits Apple

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Apple, which now has a market capitalisation worth [roughly \\$980 billion](#), releases its global accounts on Wednesday morning.

The Australian income tax figure could be subject to change following the outcome of audits with tax authorities, the company said in the accounts.

"The Australian Taxation Office is currently auditing the company's tax position for 2012," it said. "As at the date of this report, the outcome of the tax audit cannot be predicted with certainty and reliably estimated, no adjustments have been recognised in the financial statements."

Treasurer Scott Morrison told Fairfax Media the government was committed to "shutting down tax avoidance strategies used by multinationals, such as large IT companies, who have exploited gaps and mismatches in the international tax system".

In a bid to stop multinational tax avoidance, the federal [government last year passed legislation](#) that boosts the ATO's anti-avoidance powers. Labor had voted against it because the Coalition at the same time [watered down adjoining tax transparency laws](#) when it put forward the legislation.

"It is now harder than ever for companies to shift profit offshore by mispricing their dealings with foreign related entities," Mr Morrison said.

Last year a number of [companies began negotiating](#) with the ATO as a result of the threat of the laws, which took hold on January 1.

"The ATO has stated that additional revenue from this measure alone shall be in the hundreds of millions," Mr Morrison said.

Shadow assistant treasurer Andrew Leigh said Australian shoppers had contributed a lot to Apple's global bottom line. "They'll no doubt be asking why Apple is apparently contributing so little to Australia," he said.

"The more we learn about multinational tax, the more vital it is that Australia has stronger laws, more transparency and a well-staffed ATO. And yet the Liberals oppose Labor's multinational tax package, wound back transparency, and have [cut thousands of jobs](#) from the tax office."

South Australian Senator Nick Xenophon, who was involved in questioning Apple executives during the Senate inquiry, said: "Australians on the average wage could only dream of paying the level of tax Apple is paying".

"I find it hard to believe that this is all they have to pay; I hope that the ATO has a thorough and forensic look at what Apple are doing," he said.

Senator Xenophon called on Apple to be more transparent about its tax affairs and provide detailed general purpose accounts that top listed Australian companies will soon have to provide.

## Apple's double Irish

Apple has been accused of using a "double Irish sandwich with Dutch associations" structure that allows it to route profits through Ireland and significantly reduce tax.

Apple's managing director of Australia and New Zealand, Tony King, had told the inquiry that Apple Australia bought products such as iPads and iPhones from overseas operations, and resold them. It then gets taxed on its local profit.

"We purchase our products on an arms length basis from affiliates and declare all of our income in accordance with Australian tax law," Mr King had said.

Tax Commissioner Chris Jordan [took issue with the testimony](#) and told the inquiry that the ATO was challenging, via an audit, whether Apple was paying an appropriate "arms length price" for its products.

Mr Jordan pointed out a [media report in The Australian Financial Review](#) that had suggested that Apple had an effective rate of 1.9 per cent on US\$36 billion (\$51 billion) in international earnings in 2012.

## Apple's revenue to shrink?

[Credit Suisse expects Apple's total revenue in 2016 to shrink](#) compared to last year, which would be the first time that has happened since 2001.

Apple's results come after [Google, now part of Alphabet, last week agreed to pay £130 million](#) (\$264 million) in back taxes in Britain, and higher taxes in the future.

A multi-year audit by Her Majesty's Revenue and Customs (HMRC) examined whether Google avoided tax for more than a decade by allocating profits to Ireland, where its European operations are based.

Australian companies have been more frequently going to the ATO asking for Advanced Pricing Agreements (APAs) – an agreement between the agency and the company about future taxes they are expected to pay and based on what terms.

But in its [submission to the Senate inquiry Apple](#) revealed that the ATO had not renewed Apple's APA, despite it being one of the first companies to enter into such an agreement with the agency in the early 1990s.

Apple said in the submission the company still continued "to have an open relationship with the ATO and continues to comply fully with its Australian tax obligations."

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