



SAUDI ELECTRICITY MAY DELAY JEDDAH PLANT EXPANSION



LONDON: People wait outside the Apple store in Covent Garden in London yesterday. 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. — AFP

EU HITS APPLE WITH 13 BN EURO TAX BILL

US WARNS ECONOMIC TIES IN PERIL, IPHONE MAKER TO APPEAL

BRUSSELS: The EU ordered tech giant Apple to pay a record 13 billion euros in back taxes in Ireland, a move Washington warned could damage hugely important transatlantic economic ties. Brussels said Apple, the world's most valuable company, avoided virtually all tax on its business in the bloc by illegal arrangements with Dublin which gave the company an unfair advantage over competitors.

Apple and the Irish government immediately said they would appeal against the European Commission ruling, with the iPhone maker warning it could cost European jobs.

Ireland has attracted multinationals over many years by offering extremely favourable sweetheart tax deals to generate much-needed jobs and investment but Brussels said it broke EU laws on state aid. "This decision sends a clear message. Member states cannot give unfair tax benefits to selected companies, no matter if European or foreign, large or small," EU Competition Commissioner Margrethe Vestager said.

"This is not a penalty, this is unpaid taxes to be paid," Vestager said as she presented the findings of a three-year investigation. The announcement comes amid growing tensions between Washington and Brussels over a series of EU anti-trust investigations targeting other giant US companies such as Google, Amazon, McDonald's, Starbucks and Fiat Chrysler.

'Devastating blow'

Apple has had a base in the southern city of Cork since 1980 and employs nearly 6,000 people in Ireland, through which it routes its inter-



Margrethe Vestager

national sales totalling billions. Apple chief Tim Cook said he was "confident" the EU ruling would be overturned, adding that the Silicon Valley giant was the biggest taxpayer in Ireland, the United States and the world.

"The most profound and harmful effect of this ruling will be on investment and job creation in Europe," he said. Cook also warned that the ruling was a "devastating blow to the sovereignty of EU member states over their own tax matters", echoing the concerns of Dublin over the decision.

Ireland's Finance Minister Michael Noonan described the ruling as "bizarre" and "an exercise in politics by the Competition Commission". Dublin, which suffered from harsh austerity measures after it was bailed out during the eurozone debt crisis, has vigorously defended its low tax rates as a way of boosting the economy.

"If you look at the small print on an Apple iPhone, it says designed in California and manufactured in China and that means any profits that accrued didn't accrue in Ireland and so I can't see why the tax liability is in Ireland," he said.

But Vestager said Apple's Irish operation was a sham-Apple's "so-called head office in Ireland only existed on paper. It had no employees, no premises and no real activities." Apple paid an effective corporate tax rate of just 0.005 per cent on its European profits in 2014 — equivalent to just 50 euros for every million, Vestager said.

The Apple tax bill dwarfs the previous EU record for a state aid case-1.3 billion euros for the Nurburgring race track in Germany.

US anger

Washington has made increasingly angry comments over the case in recent weeks, and yesterday it echoed Apple's warnings that the tax bill could hurt the European economy. The US Treasury said the ruling "could threaten to undermine foreign investment, the business climate in Europe, and the important spirit of economic partnership between the US and the EU."

The Apple decision may also complicate struggling EU-US talks on what would be the

world's biggest free trade deal, meant to be completed before US President Barack Obama steps down in January. Tax avoidance has moved sharply up the political agenda since EU governments adopted tough austerity policies to balance the public finances, driving public resentment that the rich paid relatively little tax. The issue was highlighted close to home by the LuxLeaks scandal which revealed that European Commission President Jean-Claude Juncker's native Luxembourg gave companies huge tax breaks while he was prime minister. In October Brussels ordered US coffee giant Starbucks and Italian automaker Fiat to each repay up to 30 million euros (\$34 million) in back taxes to the Netherlands and Luxembourg respectively. The European Union yesterday ordered Apple to pay a record 13 billion euros in back taxes in Ireland, saying deals allowing the US tech giant to pay almost no tax were illegal. In the latest in a series of rulings that has angered Washington, Brussels said the world's most valuable company avoided tax bills on virtually all its profits in the bloc under its arrangements with Dublin.

'No employees, no premises'

Apple has had a base at the southern city of Cork since 1980 and employs 5,000 people in Ireland, through which it routes its international sales, avoiding billions in corporation taxes. But Vestager—who has launched a series of cases against US firms—said that Apple's "so-called head office in Ireland only existed on paper. It had no employees, no premises and no real activities."

Apple as a result paid an effective corporate tax rate of 0.005 per cent on its European profits

in 2014 — equivalent to 50 euros for every million, Vestager added. Tensions have been growing between Washington and Brussels over a series of anti-trust investigations targeting companies such as Apple, Amazon, Starbucks and Fiat Chrysler. Apple said "we will appeal and we are confident the decision will be overturned."

"It will have a profound and harmful effect on investment and job creation in Europe," the company added. Irish Finance Minister Michael Noonan said the decision "leaves me with no choice but to seek cabinet approval to appeal the decision before the European Courts". The Apple tax bill dwarfs the previous EU record for a state aid, the 1.3 billion euros received by the Nurburgring race track from German authorities.

The US stepped up its rhetoric ahead of the decision, accusing the European Commission of unilateralism and overstepping its mandate.

A bill of 300 million euros this year for Swedish engineer Atlas Copco AB to pay Belgian tax is the current known record. Other companies ordered to pay back taxes in Belgium, many of them European, have not disclosed figures. For Apple, whose earnings of \$18 billion last year were the biggest ever reported by a corporation, finding several billion dollars should not be an insurmountable problem. The 13 billion euros represents about 6 percent of the firm's cash pile. As of June, Apple reported it had cash, cash equivalents and marketable securities of \$231.5 billion, of which 92.8 percent, or \$214.9 billion, were held in foreign subsidiaries. It paid \$2.67 billion in taxes during its latest quarter at an effective tax rate of 25.5 percent, leaving it with net income of \$7.8 billion according to company filings. — Agencies

GULF MOSTLY RISES BUT TURNOVER LOW

MIDEAST STOCK MARKETS

DUBAI: Most Gulf stock markets rose yesterday in response to firmer oil prices and global bourses but trading turnover in Saudi Arabia and Dubai was low, suggesting many investors did not expect an extended rally and were staying away. Saudi Arabia's index gained 1.0 percent in a broad rise, with rising stocks outnumbering losers by 119 to 22. But the market recorded its second smallest daily volume this year. The smallest was on Aug. 21.

Major lender Al-Rajhi Bank, which has dropped sharply in recent weeks because of concern about bad loans due to Saudi Arabia's economic slowdown, rose 2.3 percent. Al-Tayyar Travel Group surged 4.3 percent. The company offers services to Islamic pilgrims for the haj, which starts this year on Sept. 9. As many as 1.5 million external and domestic pilgrims are expected to perform the haj in Mecca, roughly the same number as last year, Saudi media reported, but the government plans to boost the number of Umrah pilgrims sharply in coming years. Qatar's index rose 0.5 percent, having been supported over

the last several weeks by FTSE's plan to include some major Qatari stocks in its secondary emerging market index. An announcement of its picks is due after the close on Wednesday.

Islamic lender Masraf Al-Rayan, which could make FTSE's list, rose 1.8 percent. Dubai's index rose 0.5 percent in thin trade, with all 10 of the most active stocks gaining. GFH Financial, the most heavily traded stock, surged 4.3 percent to its highest level in 21 months. But courier Aramex, which had jumped 2.3 percent on Monday, retreated 2.2 percent. Abu Dhabi edged down 0.02 percent with real estate firms attracting the most activity. Aldar Properties rose 0.7 percent after it said it would start construction of a new residential development in Abu Dhabi, while Eshraq Properties jumped 6.3 percent. In Egypt, the index added 0.6 percent as Global Telecom jumped 5.3 percent and investment bank EFG Hermes added 3.1 percent after Natixis, which recently bought an 11.8 percent stake in EFG from Dubai Financial Group, appointed representatives to EFG's board. — Reuters

MACRON RESIGNS IN STEP TOWARDS PRESIDENCY RUN

PARIS: French Economy Minister Emmanuel Macron resigned yesterday clearing the way for a presidential bid that will further unsettle an already wide-open race.

The 38-year-old former investment banker, one of France's most popular politicians, did not immediately say he would run in the 2017 election but is widely expected to do so, having quit the government and created his own political party.

"Emmanuel Macron ... today handed in to the president of the Republic his resignation from the government to fully devote himself to his political party," Socialist President Francois Hollande's office said in a statement. Finance Minister Michel Sapin, a close ally of Hollande, will add the economy ministry to his portfolio. The government's pro-reform line is not expected to change.

A spokeswoman said Macron would not announce a presidential bid on Tuesday. His new party will first conduct a door-to-door campaign to gauge opinion and collect voters' grievances on French politics by the end of

September. "After that we will make proposals, and after that candidacy questions will be dealt with," the spokeswoman said. Macron's place in the government had become increasingly awkward after he repeatedly criticized left-wing totems like France's 35-hour work week and created his own party in April, casting it as leaning neither left nor right.

A source in Macron's inner circle said the rapidly evolving political situation, in which former president Nicolas Sarkozy and two former Socialist ministers had declared their intention to run for president, had forced the hand of the minister, who the source said had initially planned to resign mid-September. — Reuters

If confirmed, a Macron bid for the presidency would further harm Hollande's chances of re-election, with polls already suggesting he would be very unlikely to even make it into the run-off round. Hollande also has challengers from the left, including more headline Socialists such as former industry minister Arnaud Montebourg and ex-education minister Benoit Hamon. — Reuters



French Economy Minister Emmanuel Macron