

**From:** [REDACTED] (TAXUD)  
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### Meeting Apple – TAXUD, 15 March 2018

#### Participants:

Stephen Quest, [REDACTED] (TAXUD)  
[REDACTED] Head of Tax, and [REDACTED]

#### Summary:

Apple explained in the meeting its current tax situation and the challenges they see ahead. TAXUD was in listening mode and explained the need for international tax reform and the engagement of the EU in the international process.

- [REDACTED] explained that Apple traditionally was not very involved in engaging with lawmakers. The company has become a more and more a global player with the invention of iPhone.
- The recent US tax reform has triggered discussion in the management on taxation. According to [REDACTED], Apple pays 26% taxes on overall profits (35% domestic (US), 20% rest of the world)
- He noted that this is above the 9.5% figure faced in average by digital players (Apple referred to FT article and our figures).
- [REDACTED] also stated that Apple will be impacted by ongoing reforms:
  - BEPS discussion on Action 7
  - US tax reforms
- Apple is aware that these are not the end of the story as more work needs to be done to modernise international tax rule. In his views the US reform will result in all US MNE paying taxes somewhere. The next step will be to find the (right) balance between jurisdictions.
- 2/3 of Apple market is US and R&D activities takes place there. Of the 26% taxes paid by Apple, +/- 80 % goes to the US. [REDACTED] wondered whether this was the right balance and what apportionment or profit splitting rules should be used.
- In his view, this requires sound economic analysis, in particular on the role of user participation [e.g. user contribution to the quality of the product] and how to attribute value to it.
- [REDACTED] called to avoid over-correction and discrimination:
  - Double taxation should be avoided through the use of multilateral agreement if taxes were to be rebalanced between countries.
  - The company calls for coherence and consistency when designing our proposal: transfer pricing rules should be made neutral to avoid discrimination.

- The company relies on several strategies to sell Apple products: i) Retail sales; ii) Channel sales; iii) Online stores. The issue is that same devices are sold through 3 different channels with 3 different tax treatments.
- SQ recalled one of the core objective behind our digital tax proposal, i.e. the modernisation of our tax rules to support a vibrant Digital single market. There is a consensus that something needs to be done but we remain far from reaching an agreement at international level.

