

12 September 2017

Mr Mark Fitt
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Fitt

Senate: Economics References Committee

Please find below the response of Apple Pty Limited (Apple Australia) to the questions taken on notice (in bold below) by Mr Tony King, Managing Director, Apple Australia, during the sitting of the Economics References Committee on 22 August 2017. We have also included a few minor corrections of evidence.

We understand that the below question encompasses Senator Hume's queries concerning the tax payments and the adjustment referred to in Apple Pty Limited's 2016 accounts (reference page 14 of Hansard Transcript):

Senator HUME: What I'd be interested in seeing is the tax paid 2016, 2015 and 2014, and what proportion of that is an adjustment and what proportion of that adjustment applies to particular years ...

Mr King: I can take that on notice and provide you with that table

AUD (\$million)	2016	2015	2014
Tax paid (1)	\$118M	\$146M	\$74M
Tax expense adjustment (2)	–	\$17M	\$14M

- (1) Tax paid based on tax returns lodged for the years in question, and as reflected in the respective Report of Entity Tax Information for 2014 and 2015. The 2016 information will be made public by the ATO around December 2017.
- (2) The tax expense adjustment of \$58 million, as discussed with Senator Hume, was reflected in the 2016 accounts as a tax expense adjustment relating to the prior years of 2012 to 2015 (4 years). The amount relating to 2012 and 2013 was approximately \$27million.

Corrections:

- 1) Page 11 of Hansard Transcript, in response to the Chair's question: "Compared with globally, where 61c on each dollar of revenue goes to the cost of sales. Can you explain that 30c per dollar difference?"

The answer should be corrected to state a figure of \$500 million, not \$500,000.

King: I will walk you through the numbers and then come to the detail of how the net profit is determined. In that publicly available tax return information, our revenues were some \$8 billion. Our cost of sales were approximately seven. We have expenses for running the Australian business. We have about 4,000 people who work for Apple in Australia. We have real estate for all of our 22 Apple retail stores. Our expenses are about half a billion dollars inside net profit. Our net margin for Apple in Australia is ~~\$500,000~~ **\$500 million**. That ~~\$500,000~~ **\$500 million** becomes the key focus of aspects of either an APA under which we use to operate and, in more recent times, the audit that the ATO has conducted on Apple Australia. The North Star, the key objective of an APA or an audit is to determine what is the appropriate net profit that a company like Apple, an international taxpayer, should generate with its activities that are in the Australian market.

2) Page 12 of Hansard Transcript, in response to the Chair's question: "So your most recent accounts were \$7.5 billion in revenue on which \$70 million in tax was paid. Some people look at revenue as a proportion of tax paid as a yardstick. I know it's not a perfect indicator, but it does give us a bit of an indication across the board as to how much tax people are paying on their operations. That figure of \$70 million tax on a \$7.5 billion revenue figures seems low, wouldn't you agree?"

The answer should be corrected to state figures in millions not hundreds of thousands:

I can give you the tax return data for the same as I gave you for the 2015 tax return data before. The 2016 numbers will be in the public domain on the ATO website, I understand, in December of this year, but I'll provide those in advance. Our revenues will be approximately \$7½ billion for the 2016 period. Net profit will be slightly down, in line with revenue of ~~400,000~~ **\$400 million** and our income tax for that period will be ~~120,000~~ **\$120 million**. I can share with the committee that across the five-year period of the audit—and this is probably an important number for the committee—the total income tax for Apple was some \$630 million. That was paid by Apple across that period.

3) Page 12 of Hansard Transcript, in response to the Chair's question: "CHAIR: So your tax paid is dropping from \$70 million to \$120,000? Is that—

King: It is \$120 million.

CHAIR: Sorry."

The answer should be corrected to state "...approximately \$20 million..." not \$220 million:

King In the prior period—FY 2015—the numbers were \$146 million, to be precise, and in the 2016 period they have dropped **approximately** \$20 million as our revenues have eased slightly between the two years.

4) Page 13 of Hansard Transcript, in response to the Chair's question: "How many years does that \$58 million account for?"

The answer should be corrected to state that it applies for a four year period, not a five year period.

King: It applies for the four-year period—or five-year period, I guess—based on the information that we had at hand at the time.

5) Page 13 of Hansard Transcript, in response to the Senator Hume's question: "In 2016, and what years was that adjustment for?"

The answer should be corrected to state that it relates to the four preceding years, not five.

King: That related to the ~~five~~ **four** preceding years.

We trust these explanations are of assistance to the Committee in considering the evidence heard at the Inquiry.

Very truly yours,



Ann Rollins
Senior Director, Government Affairs
Apple