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Exclusive: Ireland, Coke and Uncle Sam

- €9.5bn funnelled to Cayman Islands since 2017
- Irish tax system in firing line as Coke pays just 7.9% rate

Full report page 5

KILLIAN WOODS

Coca-Cola's Irish office, which has been accused of hiding "astronomical" profits by US tax authorities, has funnelled more than €9.5 billion to a remote tax haven since 2016, the *Business Post* can reveal.

A detailed analysis by the Business Post of European Refreshments Unlimited Company, a Coca-Cola Irish subsidiary, found the company has routed tens of billions of euro through the entity between 2016 and 2022.

In that time, the Irish firm paid more than €9.5 billion in dividends to Atlantic Industries, a Coca-Cola firm based in the Cayman Islands tax haven.

Over the same seven years, the only period for which accounts are available, the Drogheda-based firm posted revenues of €33.2 billion – most of which was generated from overseas.

The revelation that Coca-Cola's Irish subsidiary moved huge sums of money to the tax haven comes as the US Tax Court last week told the company to pay $6 billion (€5.5 billion) to cover unpaid taxes and interest for the years 2007 to 2009.

The *Financial Times* estimated that Coca-Cola could ultimately end up owing $16 billion in back taxes arising from manufacturing processes located in countries such as Ireland and Brazil.

The extraordinary details of the firm's operations are likely to again heighten scrutiny of Ireland's own highly contentious tax laws, and ratchet up pressure on the government to close off any remaining loopholes.

Over the last decade, policymakers have shut down mechanisms such as the highly contentious 'Double Irish' tax arrangement which created a firestorm around the country's controversial tax regime.

The long-running Apple tax case, in which the EU Commission ordered the tech giant to to pay €13 billion, plus interest, in alleged unpaid Irish taxes from 2004 to 2014 to the Irish state has raised questions about Ireland's position. The case has been appealed several times and a final judgment is expected this year.

In 2017, European Refreshments Unlimited Company paid a tax rate of 1.3 per cent in Ireland on operating profit of €1.4 billion. In recent years the effective rate has grown steadily to 7.9 per cent.

When asked if the Department of Finance was exploring avenues to address companies channelling "astronomical" levels of profit through Ireland, a spokesman said it was "not appropriate" for it to comment on the tax affairs of any individual taxpayer.

He said changes have been made to Ireland's corporate tax rules to address structures "designed to exploit gaps in US tax rules" and the country has fully implemented the OECD's base erosion and profit shifting (Beps) process, an international framework to combat tax avoidance by multinational companies.

As part of the tax case, the US court accused Coca-Cola of using Ireland and other low-tax countries to shield profits from the Internal Revenue Service (IRS) in the US.

The case centred on a claim by the IRS that Coca-Cola's subsidiaries abroad should have paid more royalties to their US parent for the use of intellectual property, which in this case was concentrate used to make its drinks. The company did not respond to a request for comment from the Business Post.

However, John Murphy, Coke's chief financial officer, told the media that he was confident in its position on the tax case.

"We have outside counsel who have, each quarter, continued to evaluate the case on the facts that are available to them and they continue to offer an opinion that gives us a greater-than-not chance of prevailing," he said.

On an annual basis, the Irish entity's pre-tax profits fluctuated between €574.8 million and €2.1 billion.

Over the seven-year period, a collective €10.3 billion worth of profits was recorded. Coca-Cola has said it plans to pay the $6 billion in back taxes and interest, but will also appeal the decision.

The company said on Thursday it planned to issue two €500 million bonds with the proceeds used in part "for making any potential payments in connection with our ongoing tax litigation with the [Internal Revenue Service]".

Meet the Navan man at the heart of Coke's war with US authorities

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Revealed: Intel offers Irish staff up to €500,000 in exit packages

DONAL MACNAMEE

Intel's Irish-based workers have been offered up to €500,000 to sign voluntary severance packages as the chipmaker bids to shed staff at its Leixlip campus, the *Business Post* can reveal.

Employees at the company, which has announced plans to cut 15 per cent of its global workforce after a disastrous second quarter, have been given until August 23 to apply for voluntary severance under a proposal circulated last week.

In Ireland, staff with more than two years of service are being offered a package worth five weeks' pay per year of service, which they will receive in addition to the statutory redundancy rate of two weeks' pay per year of service capped at €600 per week.

The package has an overall cap of 104 weeks' pay, or €500,000, which some higher earners are expected to hit.

Staff with less than two years of service have been offered five weeks' pay per year of service if they are approved for voluntary severance.

Those who apply for the scheme will hear on September 6 if they have been approved for voluntary severance. Those who are accepted will depart the company on September 30. If Intel – which employs around 4,900 people in Ireland – was to apply its cuts to 15 per cent of its Irish workforce, it would result in about 730 job losses.

If the company does not meet the quota of job reductions it is seeking through the voluntary separation scheme, it will move to implement compulsory redundancies.

When contacted by the Business Post, an Intel spokeswoman declined to comment on the specific details of the package, and said the firm was still working to understand the local impact of the cuts.

"We are not disclosing a number right now in relation to impact in Ireland," she said.

Intel's share price has dropped more than 43 per cent in the last month as the chipmaker, which has struggled to keep pace with rivals over recent years, has disappointed investors with its financial performance.

The company has already implemented major cost-cutting initiatives in recent years. In 2022, the Business Post revealed that Intel had offered thousands of euro in inducements to encourage up to 2,000 workers to take three months' unpaid leave. Between October 2022 and the end of 2023, it reduced its workforce by 5 per cent.

Last week, this publication reported that the firm had told investors its decision to accelerate the shift of its manufacturing operations to Ireland last year was central to a slump in its quarterly profit margins, and would continue to weigh on its profitability in the coming months.

On a call with analysts, the firm said that a "meaningful chunk" of its falling gross margin in the quarter was down to the move of high-volume chipmaking processes to Ireland last year.

David Zinsner, chief financial officer at the firm, said that the move to Leixlip had hit its profit margins because Ireland is a higher-cost environment. Zinsner added that the move had resulted in capital expenditure savings of $1 billion, and said it would pay off in the long run.

Stacy Rasgon, senior analyst at Bernstein Research, wrote in a note to clients that Intel's issues were "now approaching the existential", but said that the cost-cutting measures it was implementing – as well as its decision to suspend dividends to shareholders and the contributions of partners like Apollo – suggested Intel would survive "in some form".

On Saturday, the *Irish Times* reported that the firm has received €32.5 million in aid from IDA Ireland over the last year.

> "The company has already implemented major cost-cutting initiatives in recent years

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Ireland at heart of $6bn battle as Coke's US tax troubles bubble up

Inside the Irish operation at the centre of a US Tax Court case over unpaid tariffs and interest which has drawn focus on Irish tax policy

Killian Woods

Nestled between a small café and a dental clinic in the suburbs of Drogheda sits the unassuming Irish office of the largest beverage company in the world.

A lot of foreign multinationals that come to Ireland choose well-located, flashy offices in Dublin to base their Irish headquarters, but not Coca-Cola. It selected a Celtic Tiger-era shopping centre.

The SouthGate Shopping Centre, surrounded by open Meath farmland was developed on the outer limits of Drogheda early 2000s and is only now being slowly enveloped by the town's urban sprawl.

Last week, the low-key office and its activities were thrust into the global spotlight by a withering US Tax Court judgment which accused it of hiding "astronomical levels" of profit to shield it from the Internal Revenue Service (IRS) in the US and ordered it to pay an initial $6 billion in cash to cover unpaid taxes and interest between 2007 and 2009.

The company could owe a further $10 billion for the subsequent 15 years to 2024.

With the company facing a potential bill of up to $16 billion, the stakes for Coke – and Ireland – could hardly be higher as Uncle Sam gears up for a scrap.

Clearer picture

When Coca-Cola moved into the office in 2011, they said the staff would be responsible for "integrated services". Translated from corporate speak, that means the employees would provide financial services to the company's network of operations in 90 countries.

Until 2018, the work taking place on the upper floors of SouthGate Shopping Centre was shrouded from public view. Coca-Cola used unlimited status for its firm in Ireland, which meant its Irish-based entities were not obliged to publish financial details.

Since then, when accounts for the company were first published revealing financial details for 2016 and 2017, a clearer picture has emerged for European Refreshments Unlimited Company, a Coca-Cola firm based in SouthGate which sells concentrate that then gets mixed in with carbonated water to make Coca-Cola, Fanta and Sprite abroad.

The US Tax Court case centres on Coca-Cola firms like this in Ireland, Brazil, Eswatini (formerly Swaziland) and four other countries, which sit between its US parent and the bottling firms that make the final product.

The IRS felt Coca-Cola's subsidiaries abroad should have been paying more royalties to the US parent for the use of intellectual property, which in this case was the concentrate. Instead, billions of euro went to a tax haven.

A *Business Post* analysis of European Refreshments Unlimited Company accounts, covering the period 2016 to 2022, has found it paid more than €9.54 billion in dividends to Atlantic Industries, a Coca-Cola firm based in the Cayman Islands tax haven.

The cash to pay the large dividend was derived from the sales and profits generated by its sale of concentrate as well as the financial services it provides other group companies.

In the seven-year period, the Drogheda-based company recorded a combined €33.18 billion in turnover. Revenue fluctuated €4.2 billion and €4.9 billion annually, except for 2022 when it recorded €5.54 billion in sales.

Each year, around three-fifths of the revenue was derived from sales to EU countries, with between 20 per cent and 26 per cent from non-EU countries. On average, 0.26 per cent of the sales related to Ireland, while Great Britain typically accounted for 13 per cent.

On an annual basis, pre-tax profits at the company have fluctuated between €574.8 million and €2.1 billion, but over the seven-year period a collective €10.33 billion worth of profits was recorded.

A Coca-Cola spokesman didn't respond to comment.

In an initial ruling in 2020, when details of the court case over Coca-Cola's finances from 2007 to 2009 first came to light, Judge Albert Lauber of the United States Tax Court said the profits being recorded overseas were "astronomical".

"Why are the supply points, engaged as they are in routine contract manufacturing, the most profitable food and beverage companies in the world?" Lauber said.

"And why does their profitability dwarf that of the Coca-Cola Company, which owns the intangibles upon which the company's profitability depends?"

Last week, a judgment said Coca-Cola was required to pay an initial $6 billion in cash to cover unpaid taxes and interest for the years 2007 to 2009.

The company could face a further $10 billion fee for the subsequent 15 years up to 2024, a *Financial Times* analysis found.

The company has set aside $456 million worth of provisions in previous earnings statements to cover what it thinks it will actually end up owing, and has stood by its assessment that it will probably beat the IRS on all the central issues, according to the *FT*.

John Murphy, Coke's president and chief financial officer, told the newspaper that he was confident in its position.

"We have outside counsel who have, each quarter, continued to evaluate the case on the facts that are available to them and they continue to offer an opinion that gives us a greater-than-not chance of prevailing," he said.

As a multinational in Ireland, Coke registered a company in the country but declared tax residency in the Cayman Islands. When asked if the Department of Finance was exploring avenues to address companies channelling "astronomical levels" of profit through Ireland, a spokesman said it was "not appropriate" for it to comment on the tax affairs of any individual taxpayer.

He said changes had been made to Ireland's corporate tax rules to address structures "designed to exploit gaps in US tax rules" and the country had fully implemented the OECD's base erosion and profit shifting (Beps) process, an international framework to combat tax avoidance by multinationals.

"Together with EU member states and several other key global trading partners, [Ireland] introduced minimum effective tax rules ensuring that large corporates with a global turnover in excess of €750 million pay a minimum effective rate of 15 per cent on a jurisdiction by jurisdiction basis."

In 2020, when the US Tax Court's initial ruling came out, it emerged that Coca-Cola had paid tax in Ireland between 2007 and 2009 at an average rate of just 1.4 per cent.

In 2017, European Refreshments Unlimited Company paid an effective tax rate of 1.32 per cent on operating profit of €1.44 billion. In recent years that has grown steadily to 7.88 per cent.

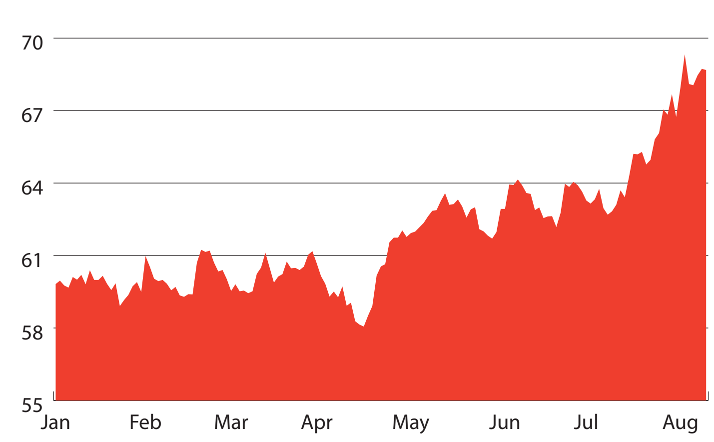
The US tax court's decision has brought a lot of focus back onto Coca-Cola's finances and taxes.

And the withering ruling will be appealed by the company.

If that appeal is unsuccessful, the IRS will likely have its eye fixed on the remaining 15 years of Coca-Cola's overseas finances.

Coca-Cola's facility at Southgate in Drogheda — Ciara Wilkinson

Coca-Cola share price ($)



Source: Yahoo Finance

Figures for Coca-Cola's Drogheda-based European Refreshments Unlimited Company

	Turnover	Profit	Profit after tax	Dividends	Total tax charge	Corp tax	Deferred tax
2016	€4.763bn	€0.575bn	€0.576bn				
2017	€4.255bn	€1.444bn	€1.229bn	€1.344bn	€215m	€19m	€196m
2018	€4.654bn	€1.025bn	€0.799bn	€1.700bn	€225m	€29m	€196m
2019	€4.953bn	€1.736bn	€1.486bn	€0.900bn	€250m	€59m	€191m
2020	€4.278bn	€2.142bn	€1.886bn	€1.400bn	€256m	€67m	€189m
2021	€4.732bn	€1.953bn	€1.651bn	€1.800bn	€301m	€116m	€185m
2022	€5.548bn	€1.466bn	€1.163bn	€2.400bn	€303m	€116m	€187m
Total	**€33.183bn**	**€10.340bn**	**€8.791bn**	**€9.544bn**	**€1.6bn**	**€406m**	**€1.14bn**

Navan man who rose to top of global Coca-Cola empire

Coca-Cola chief financial officer and president John Murphy

FIONN THOMPSON

Navan man John Murphy has ascended to second-in-command in one of the world's largest and most recognisable companies, having worked his way across the group's operations in Asia, South America and the US over his 35-year career.

Now embroiled in a $16 billion (€14.65 billion) tax dispute with the US Internal Revenue Service (IRS), which includes matters dealing with its Irish subsidiary, Murphy faces an ongoing battle with the tax authority and an internal battle to keep his shareholders happy.

But how did he get here?

Born in 1962, Murphy started attending Trinity College in 1979, graduating in 1983 with a bachelor's degree in business studies (BBS). He added a diploma in professional accounting from UCD, and qualified as a chartered accountant of the Irish Institute of Chartered Accountants.

His first job post-college was as an auditor with PwC in 1984, back when it was still known as Craig Gardner, working there for four years.

He then began his career with Coca-Cola in 1988, joining as an international internal auditor at the age of 26. He moved to the group's Japanese outpost in 1991, serving as the executive assistant to Coca-Cola Japan's chief financial officer.

Murphy then held roles in various finance, planning and operations roles within Japan, moving to its Singapore bottling partner before moving to Indonesia in 1996 as its region partner.

He was briefly made vice president of business systems for Coca-Cola North America in 2000 before returning to Japan as its executive vice president and chief of finance, becoming its deputy president in 2004.

Murphy returned to Atlanta, Coca-Cola's global headquarters, in 2005, serving as the vice president of strategic planning.

He was on the move three years later, becoming president of Coca-Cola's so-called Latin Center business unit, becoming responsible for operations in 31 countries across Central America, the Caribbean and parts of South America.

In an interview with the *Irish Times* in 2023, Murphy said that the titles associated with his work could sometimes muddy the line around authenticity.

"You end up having a choice to sometimes allow the title – the perks of the job – take hold of you, and I don't like when that happens . . . It's a challenge sometimes to stay grounded."

Murphy moved to the presidency of Coca-Cola's South Latin business unit at the start of 2013, which includes Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.

He stayed in this role for three years, before relocating back across the Pacific in 2016 as the president of its Asia-Pacific group.

His big break came at the start of 2019, when he was named chief financial officer of the Coca-Cola Company, arriving back in Atlanta.

He added the presidency to this role in October 2022, replacing retiring chief operating officer Brian Smith.