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Golden Dodges: McDonald's $1.8 billion global tax avoidance scheme revealed

Today a coalition of global trade unions formed by Public Services International (PSI), the International Union of Foodworkers (IUF) and the Service Employees International Union (SEIU), released a report about McDonald's global tax avoidance strategy.

In this document, the coalition reveals how McDonald's has taken advantage of corporate tax loopholes to avoid paying up to US$1.8 Billion in tax between 2009 and 2013 including 1 billion Euros in Europe and AU$497 million in Australia. McDonald's has 36,000 stores serving approximately 69 million customers a day globally. In 2014, it had US 87.8 billion in system-wide sales, nearly twice the sales of its largest competitor. It is not only the world's largest fast food company but also the largest franchiser. The report outlines how McDonald's uses its franchising model to generate much of its revenue through royalty payments rather than through direct store operations. Much of the royalty payments are then passed through to offshore tax subsidiaries in tax havens.

Indeed, McDonald's operates an extensive network of hidden subsidiaries in tax havens. The report shows that McDonald's owns 42 subsidiaries and branches in tax havens, far above the 11 tax haven subsidiaries the company publically disclosed in 2014.

More importantly, McDonald's has large cash holdings in these subsidiaries, including over US$ 1.9 billion in the tiny state of Luxembourg. Between 2009 and 2013, the Luxembourg-based structure, which employs 13 people, registered a cumulative revenue of €3.7 billion, on which it reported a meager €16 million in tax.

McDonald's' scheme has attracted the attention of tax authorities across the world. Investigations has been initiated in at least six countries since 2005 and the European Union is currently looking into McDonald's' tax arrangements in Luxembourg.

Today, global trade unions call for governments around the world to further investigate McDonald's tax arrangements and share information between countries. They also call for more human capital in tax agencies to give regulators the necessary resources to recover unpaid corporate tax.

> "There is no excuse for governments to cut public services like health and education when they let companies like McDonald's shift billions of dollars in taxes offshore", Public Service International General Secretary, Rosa Pavanelli said today.
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> "Something is wrong when we can put a man on the moon but 40 years later can't tax a hamburger. With inequality rising working people will no longer accept cuts to services when politicians allow scandalous levels of tax avoidance by the wealthiest on the planet" she said.
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> "Companies such as McDonald's are mocking their workforce when they argue low wages are needed to be competitive but cream off billions in profits in tax havens" said Ron Oswald, IUF General Secretary.
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> "Everyone benefits when companies pay tax where they make the profits," he said.

The report Golden Dodges follows the recent European report *Unhappy Meal* that outlines McDonald's tax avoidance strategies in Europe.

Interest in the extensive tax avoidance practices of multinational companies is growing as corporate tax scandals unfold. Recently, an Independent Commission on Reform of International Corporate Taxation was established with prominent figures such as Joseph Stiglitz and Jose Ocampo to recommend changes to the global tax system.

For more information:

- See the report *Unhappy Meal*
- Listen to the RadioLabour interview with Daniel Bertossa, PSI Director of Policy and Governance.
- Listen to the radio interview with Daniel Bertossa for more information on profit shifting.

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