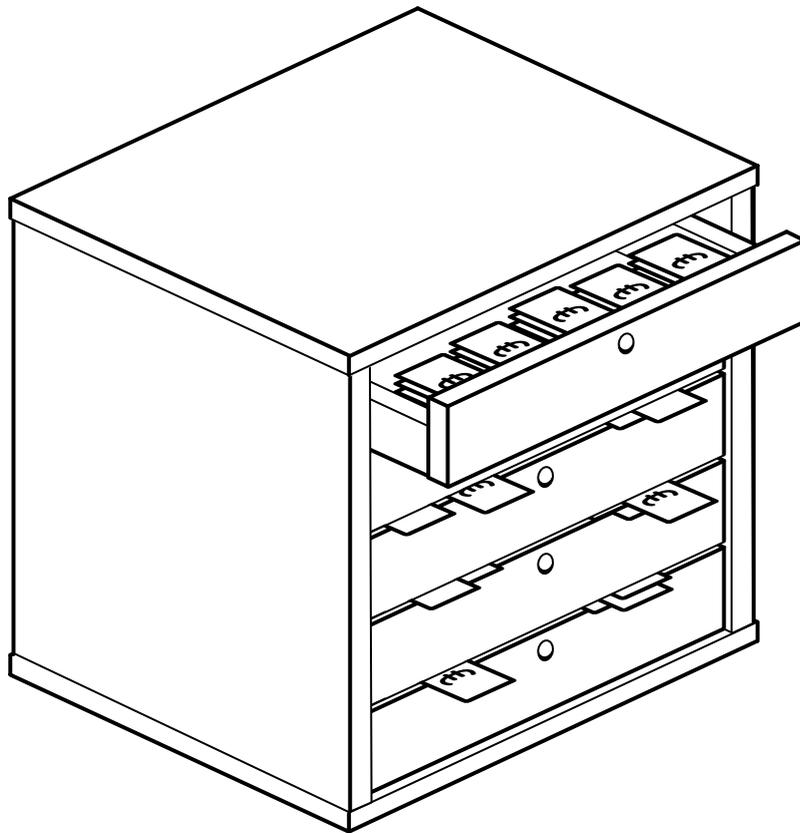


IKEA: FLAT PACK TAX AVOIDANCE

TAAKS AVOYD



CREDITS

AUTHOR : Marc Auerbach

**A STUDY COMMISSIONED BY THE GREENS/EFA
GROUP IN THE EUROPEAN PARLIAMENT**

GRAPHICS AND DESIGN : Capucine Simon
capucine.simon01@gmail.com

COVER AND ILLUSTRATION : admk - Agency
for design and multimedia concepts,
Cologne, Germany - www.admk.de

WWW.GREENS-EFA.EU
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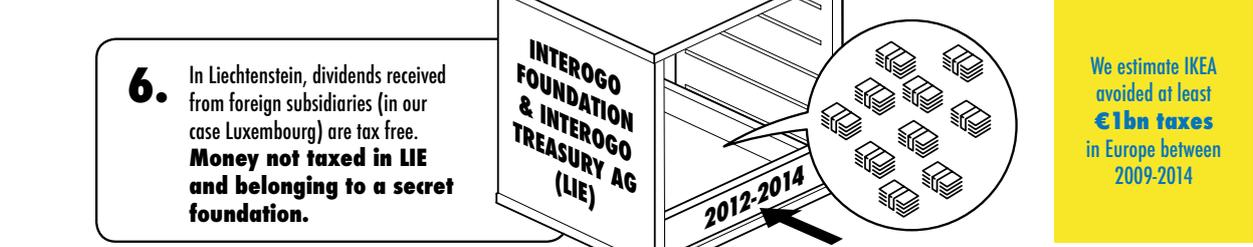
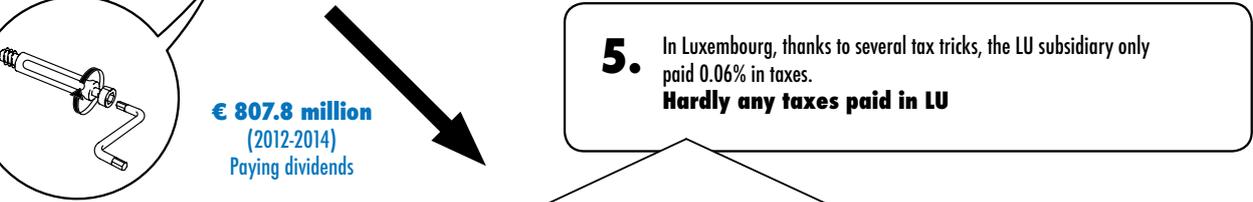
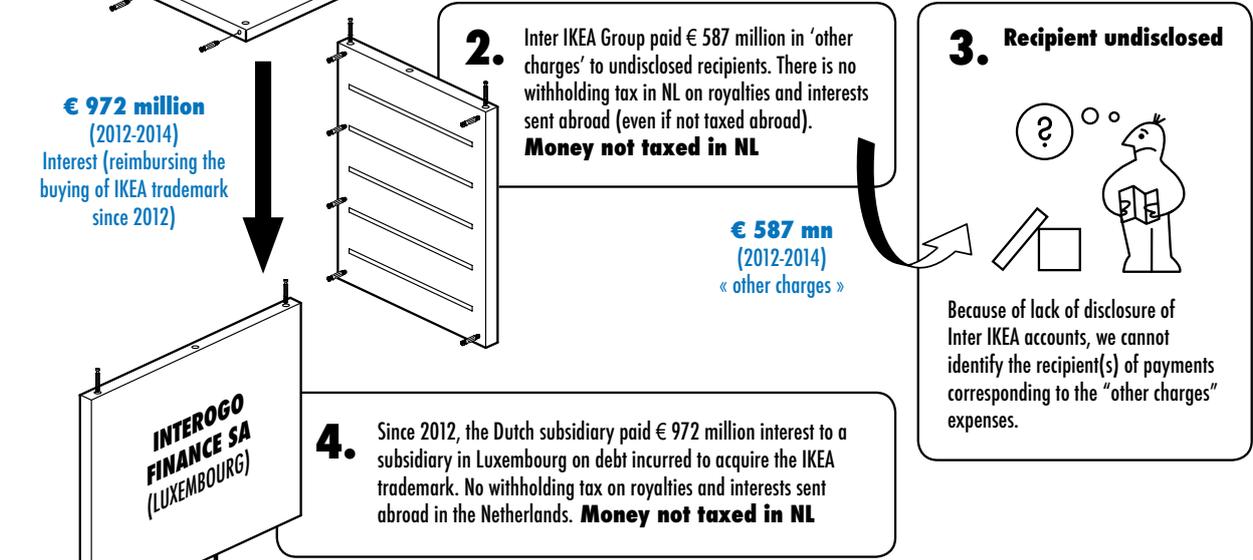
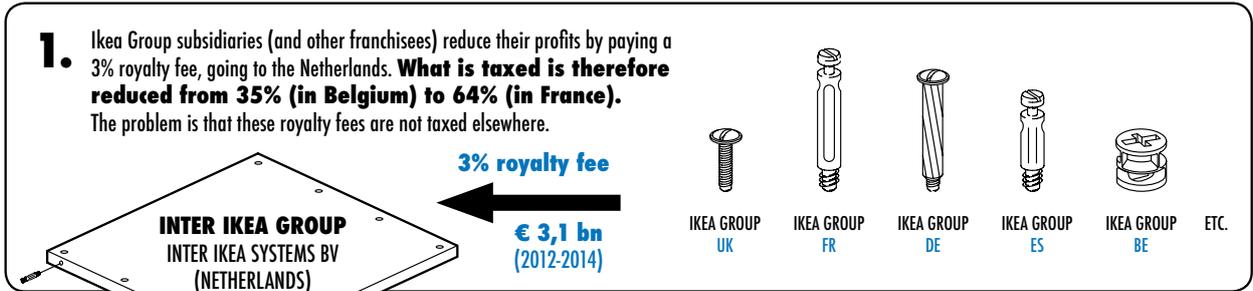
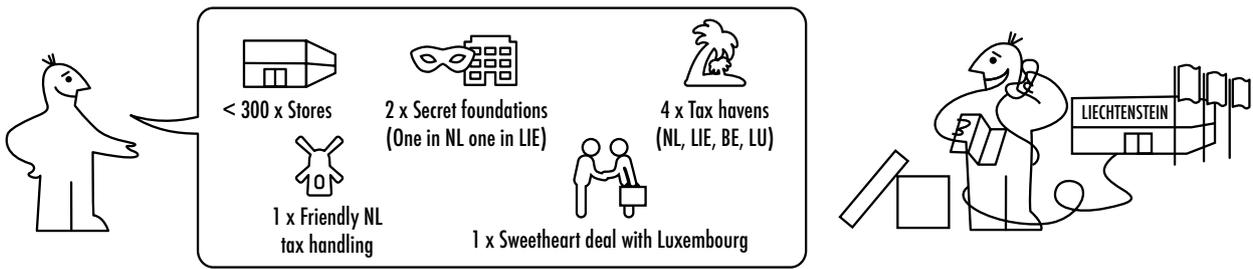
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IKEA TAX AVOIDANCE SCHEME



We estimate IKEA avoided at least **€1bn taxes** in Europe between 2009-2014



EXECUTIVE SUMMARY

For more than ten years, journalists and campaigners have been researching IKEA¹ and finding evidence that IKEA's managers and founding family have constructed a convoluted corporate structure designed to facilitate profit-shifting and tax avoidance on a grand scale. Given the excellent work already done, was there any reason to issue a new report? The answer to that question is simple: Yes! This report deepens and extends our understanding of IKEA's tax planning strategies.

01 *IKEA is paying royalties to itself presumably to reduce overall taxation* (disguised by the supposed independence of two corporate groups). From 1991 through 2014, the Inter IKEA Group seems to have used a Dutch conduit company to avoid paying tax on 84% of the €14.3 billion in royalty income² it received from IKEA stores around the world. Despite lack of accounts disclosure, our findings indicate the possibility that these royalties have been channelled through the Netherlands and Luxembourg to Liechtenstein (or other tax havens) with very little tax paid along the way.

02 *Quantification of tax lost by European countries:* The report estimates how much these tax savings on IKEA royalty payments cost European countries: an estimated €1 billion in missing tax revenues over the last six years (2009-2014). Additional national estimations for 2014 are also available in the report for some EU countries.

03 *IKEA is doing tax migration.* The report also shows how IKEA companies found new ways in the 2000s to shift profits and avoid taxes using intracompany loans (relying on a Luxembourg tax ruling and the Belgian notional interest deduction scheme).

It also shows that the European Corporate Tax Package, recently presented by the European Commission, does not fully address these concerns and will still allow IKEA and other multinationals to practice aggressive tax avoidance. While this package may address the "offshore dimension" of tax havens, it does not seem to apprehend the reality of tax competition between EU countries themselves.

At a time when the Netherlands holds the Presidency of the European Union, this report therefore also aims at identifying needed additional national and European corporate tax reforms. It should prompt various authorities to investigate IKEA's practices as well as the national-level laws and tax arrangements which facilitate them.



I. INTRODUCTION

Since the Luxleaks scandal in November 2014³ revealed that about 350 large multinational companies (MNCs) were using sweetheart tax deals in Luxembourg to minimise their tax contribution, not a single day goes by without a new reported scandal or proposals to ensure companies 'pay their fair share'. The fight against corporate tax avoidance has become one of the priorities of the European Commission⁴ and European leaders have sworn that they will "advance efforts in the fight against tax avoidance and aggressive tax planning."⁵

The Greens have long pioneered the fight against tax evasion and tax avoidance and have called for European (and global) solutions to a problem which knows no border and is facilitated by different national tax laws. We were the first political group in the European Parliament to call for an inquiry committee to investigate further the Luxleaks scandal and shed light on the political responsibility of those who helped big companies avoid paying taxes⁶.

Once the European Parliament special committee on tax rulings and other measures similar in nature or effect (TAXE) was created in February 2015, we played a leading role in ensuring that representatives of multinational companies involved in the Luxleaks scandal appeared in front of our

committee, suggesting for example that those refusing to appear should have their access badges to the European Parliament withdrawn.

In the end, eleven companies participated in a hearing on 16 November 2015, including the IKEA Group represented by Krister Mattsson, Head of its Corporate Finance, Insurance, Tax & Treasury. According to Mr Mattsson's statement, IKEA Group is often confused with the Inter IKEA Group, which is a different legal entity and has its parent company in Luxembourg⁷. This triggered our curiosity and prompted us to dig deeper on the structure and possible use of tax avoidance schemes by what the general public considers simply as IKEA.

This report is a journey into practices encouraged by well-known European tax havens, like the Netherlands, Luxembourg and Belgium. It builds on prior research into IKEA's international tax planning strategies by journalists and tax justice advocates. It provides new evidence to support long-standing suspicions that the two corporate groups which constitute "IKEA" reduce their combined tax bill by shifting profits from countries where stores bring in revenues to low- and no-tax jurisdictions.

BOX 1 BUILDING ON PREVIOUS TAX RESEARCH ON IKEA

For more than ten years, journalists and campaigners have been uncovering evidence that IKEA was shifting profits on a grand scale. Here is a non-exhaustive list:

- ▶ As early as 2005, Prof. Dr. Lorenz Jarass reported that franchise fees and interest payments on intracompany debt shifted profits out of Germany and reduced the net income of Germany's IKEA Group subsidiary by 40%.
- ▶ In 2011, Swedish investigative journalist Magnus Svenungsson exposed the existence of the Interogo Foundation – a Liechtenstein entity created to funnel billions to Liechtenstein over the years, while reducing taxes paid by IKEA around the world⁸.
- ▶ Swedish tax analyst Peter Sundgren has written a series of articles that provide insight into IKEA's aggressive tax avoidance, and particularly the use of a Dutch royalty conduit company.⁹
- ▶ In 2013, Karl-Martin Hentschel wrote a broad overview of IKEA's aggressive tax strategies that was published by ATTAC Germany. Hentschel called the 2011/12 intracompany sale of the IKEA trademark a "€9 billion coup" because of the enormous tax avoidance he expected it would facilitate.
- ▶ Finally, a 2013 book (IKEA. På väg mot framtiden) on the family-run businesses of the IKEA founder provides an encyclopaedic overview of IKEA's history and structure and detailed discussions of tax avoidance strategies.¹⁰



II. IKEA: A FLAT PACK STRUCTURE?

Ingvar Kamprad founded IKEA in Småland, Sweden in 1943 and opened his first retail store in 1958.¹¹ Today, the IKEA multinational, as seen by the public, is a giant enterprise with €33.8 billion in annual sales, 172,000 employees, an extended global supply chain and at least 375 stores in more than 40 countries.¹² Despite its massive growth, IKEA remains a privately-owned business, controlled through a complex multinational structure by Ingvar Kamprad, his three sons and their close associates.

Kamprad has openly acknowledged that he has been preoccupied with the problem of avoiding income and inheritance taxes in Sweden since at least the 1960s.¹³ Ultimately, these concerns led him to move to Switzerland and to relocate and restructure IKEA.

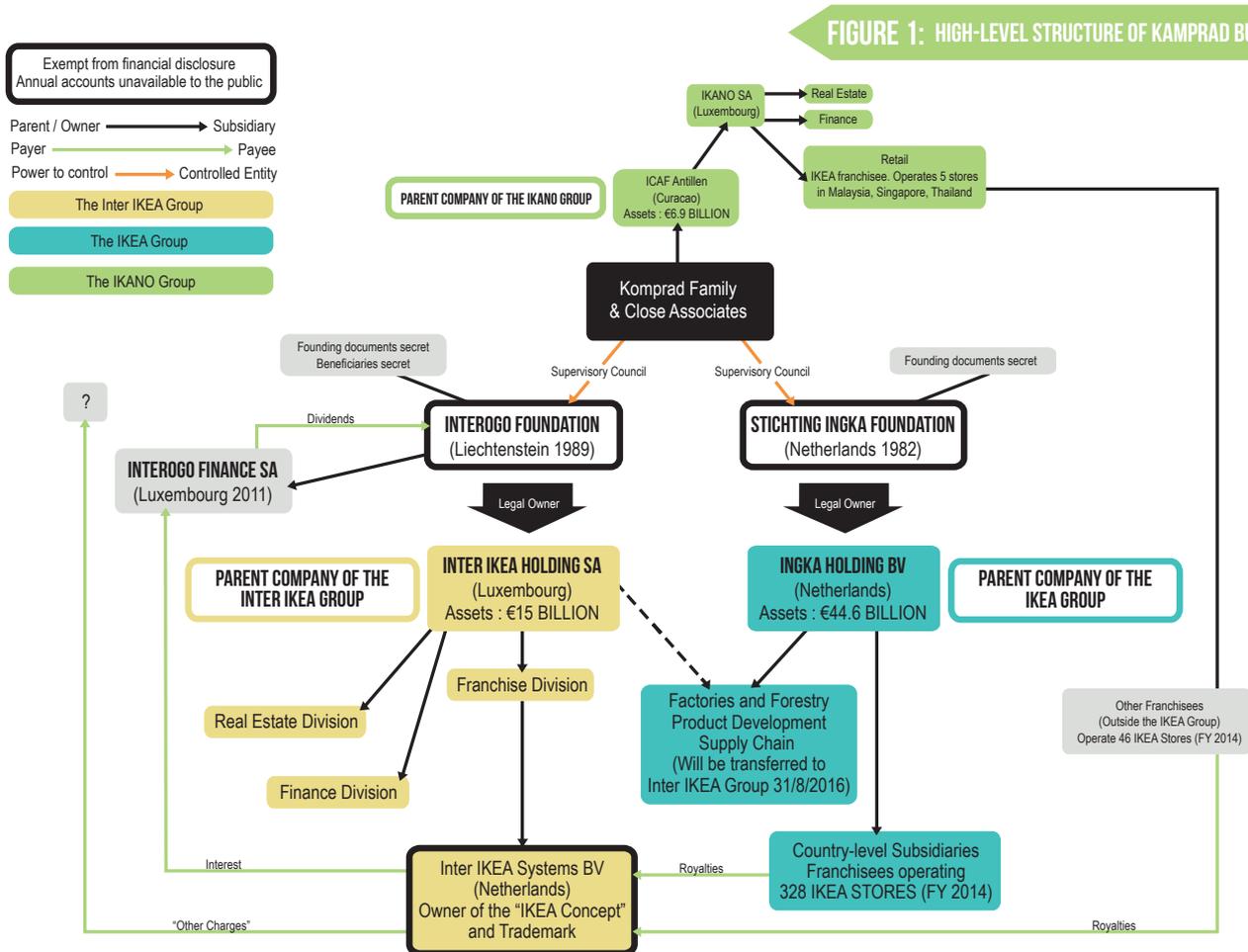
While the details remain somewhat murky, the earliest official records of IKEA's restructuring identified for this

report date back to 1973. In that year, Kamprad established companies in the Netherlands Antilles (now Curacao) and in Luxembourg to hold IKEA-related assets, most likely intellectual property.¹⁴

By 1982, Ingvar Kamprad had split IKEA into two legally distinct corporate groups (see figure 1):

- The Inter IKEA Group, now organized under a Luxembourg holding company, Inter IKEA Holding SA, which has itself been placed under the ownership of the Interogo Foundation, formed in Liechtenstein in 1989 and
- The IKEA Group, under a Dutch parent company, INGKA Holding BV,¹⁵ which Kamprad placed under the ownership of a Dutch foundation, the Stichting INGKA.¹⁶

At the top of IKEA's dual structure, the private foundations that own both corporate groups are controlled by members of the Kamprad family and a small circle of trusted associates.



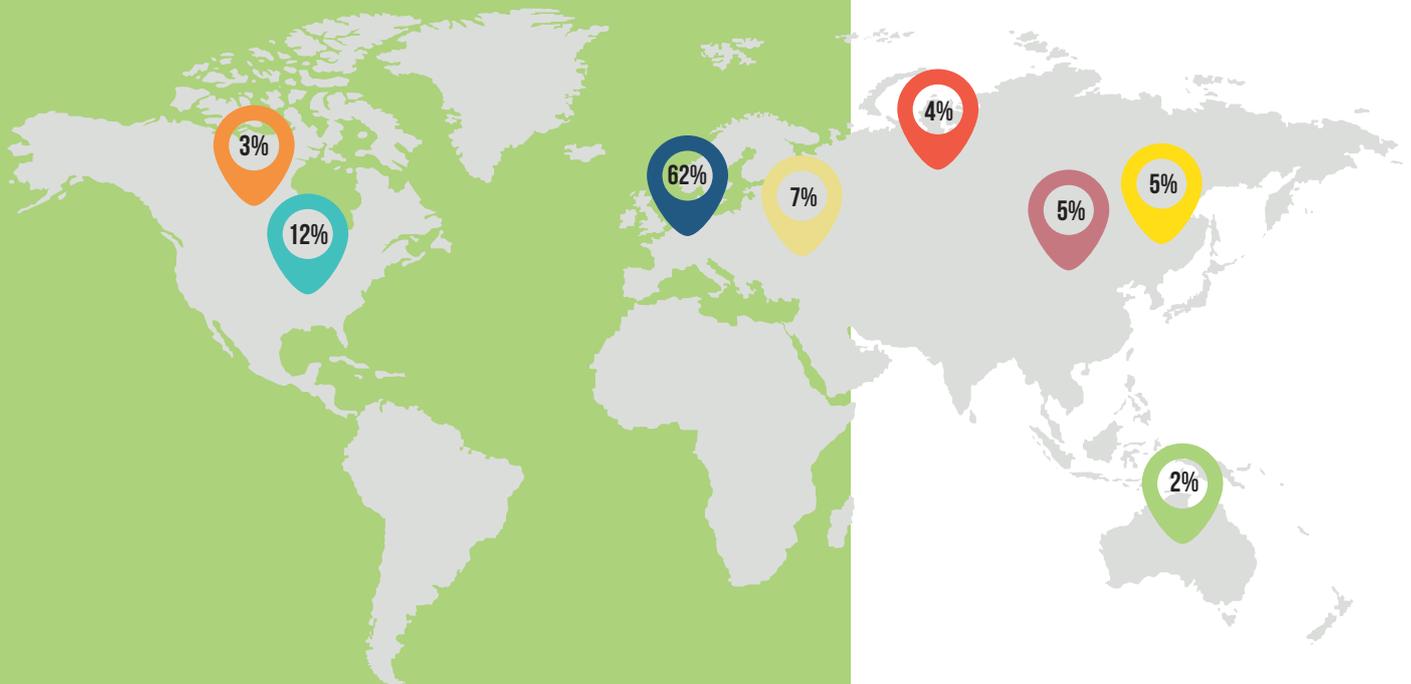
Functionally, the two corporate groups play complementary roles and there does not seem to be any substantive operational rationale for their separation. As this report shows, however, dividing IKEA into two corporate groups may help to facilitate, or at least mask, large-scale profit-shifting.

The Inter IKEA Group owns the IKEA "retail system" and, at least since 2012, the IKEA trademark. This Group is the franchisor of IKEA and every IKEA store in the world sends Inter IKEA royalties equal to 3% of sales. As detailed below, these royalty payments are a powerful tool for shifting profits and avoiding taxes. The Inter IKEA Group also operates financial and real estate businesses with activities that are sometimes, but not always, related to IKEA.¹⁷

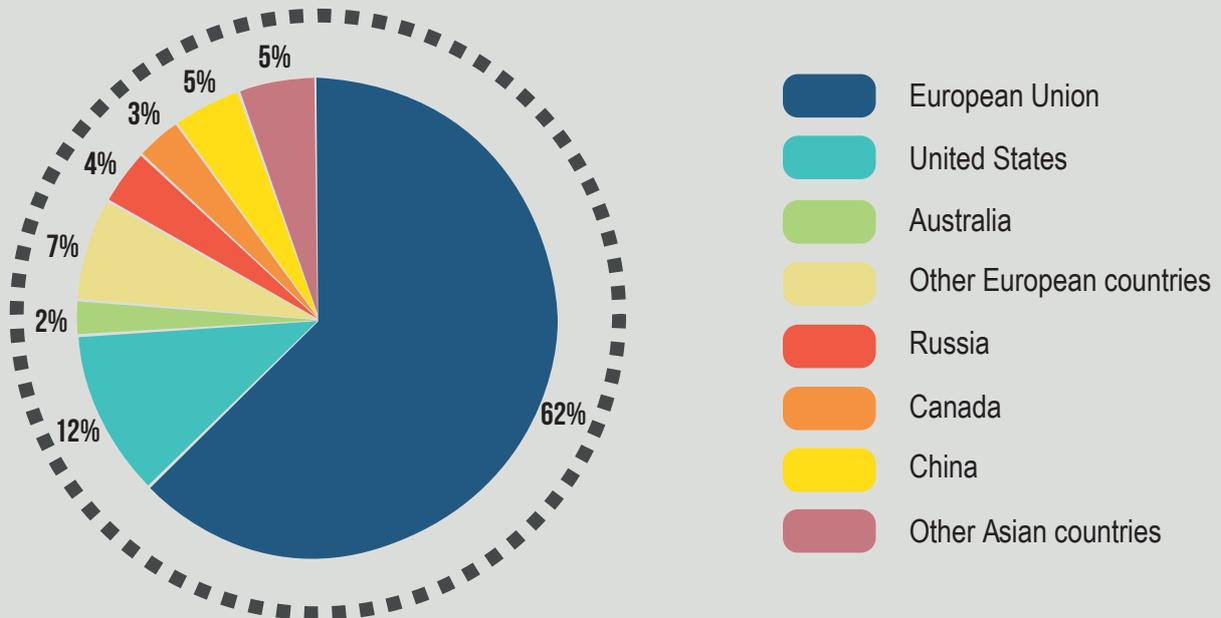
The IKEA Group operates 328 IKEA stores in 28 countries under franchise agreements with the Inter IKEA Group.¹⁸ In addition, the Group currently owns IKEA's factories,

forestry operations and logistics network as well as subsidiaries responsible for developing the IKEA product range (under contract with the Inter IKEA Group). However, most of these secondary functions will be transferred to the Inter IKEA Group as of 31 August 2016.¹⁹

The Kamprad family also owns the **IKANO Group**, which split off from IKEA in 1988.²⁰ IKANO is controlled by Ingvar Kamprad's three sons and owned through a holding company in Curaçao (formerly Netherlands Antilles).²¹ IKANO's main lines of business are financial services and real estate.²² The company maintains significant business relationships with IKEA and operates five IKEA stores in Asia under franchise agreements with Inter IKEA. For practical reasons, this report does not address the tax affairs of the IKANO Group or any possible relation to tax strategies employed by IKANO or the Kamprad family.



BOX2 IKEA GROUP, A GLOBAL RETAILER WITH A STRONG EUROPEAN FOCUS



There are around 378 IKEA stores worldwide (not all belonging to the IKEA Group), including 256 in Europe (234 of these in European Union countries) and 55 in the company's second largest market, North America.²³ The

IKEA Group earned 76% of its revenues in Europe in 2014 and the company's five largest markets were Germany (14%), the United States (12%), France (8%), the United Kingdom (6%) and Russia (6%).

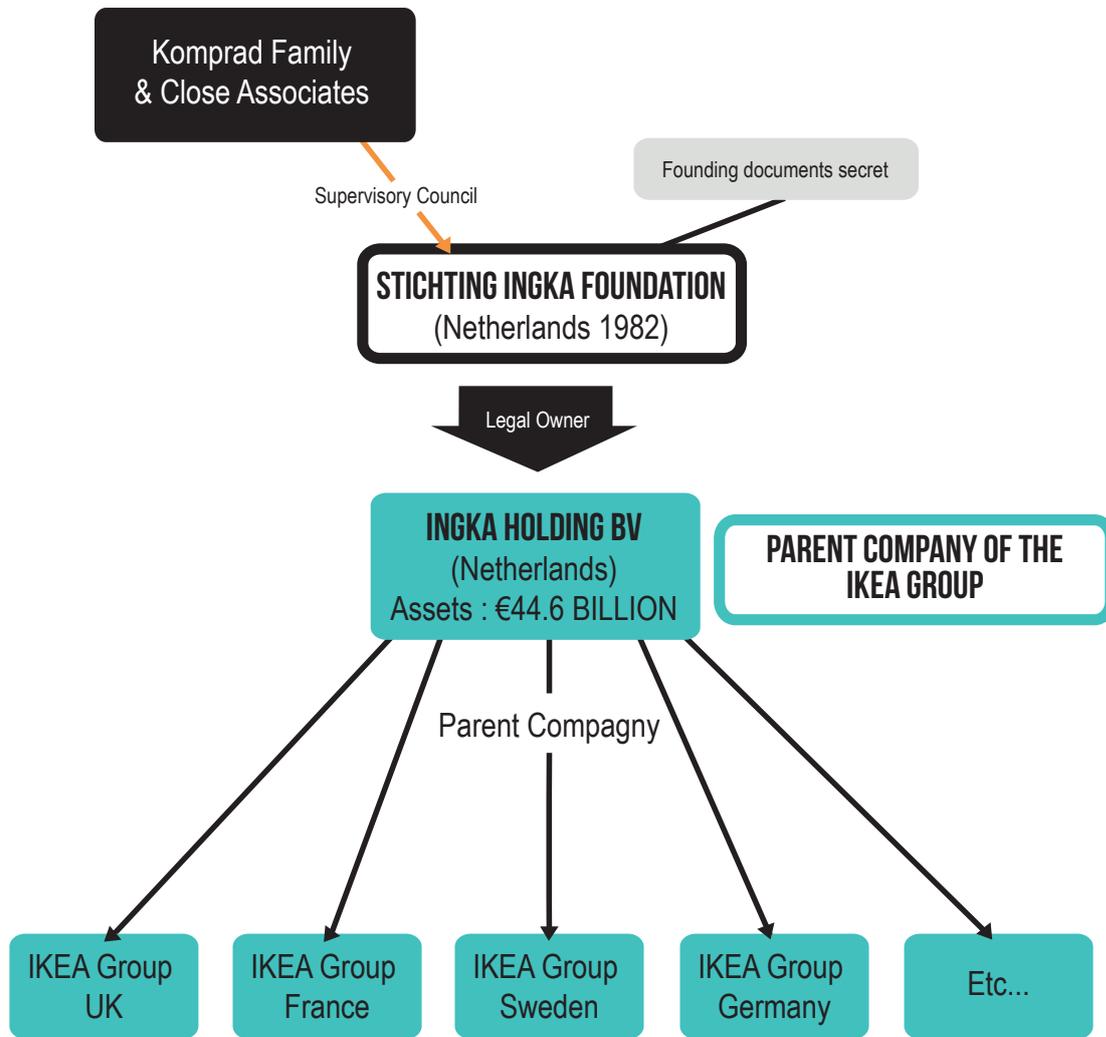
IKEA Group revenues and employees by region ²⁴ (FY 2014)

Region	Retail Sales (Million €)	Sales (%)	Employees
Europe	22,311.00	76%	106,852
North America	4,490.00	15%	19,000
Asia and Australia	2,492.00	9%	14,000



III. THE SECRETIVE DUTCH FOUNDATION THAT OWNS THE IKEA GROUP

FIGURE 2: STRUCTURE OF THE IKEA GROUP



In 1982, Ingvar Kamprad transferred legal ownership of the IKEA Group's parent company, Ingka Holding BV, to a Dutch-domiciled foundation, the Stichting INGKA.²⁵ The legal and financial documents that would allow us to fully understand the financial implications of this ownership structure are exempt from public disclosure under Dutch law.²⁶

Given this lack of disclosure, it is impossible to determine whether the owners of the IKEA Group established this structure for tax purposes. What is certain is that the

explanations for this structure offered by IKEA's founder do not hold up to scrutiny.

- **Stichting INGKA is not primarily a charitable foundation.** Its statutes, revised in 2013, state that the foundation's objectives are "free from any profit motive" and that its funds may be used only to support charitable causes or to fund the IKEA Group.²⁷ However, Stichting INGKA is not formally designated as a charitable foundation in the Netherlands²⁸ and the charitable contributions disclosed

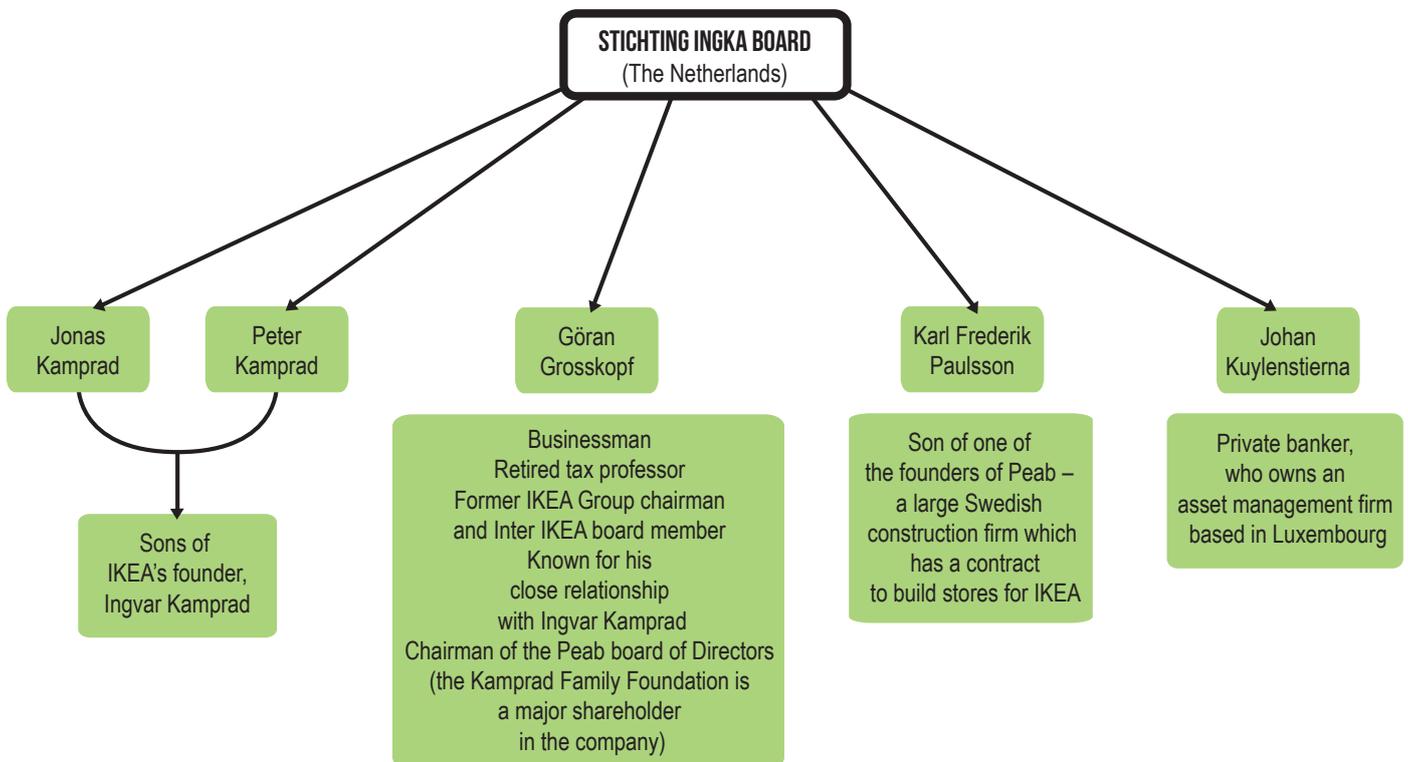
by the IKEA Foundation (which manages the IKEA Groups charitable activities) have been modest, at best. In 2014, the IKEA Foundation reported just €104 million in charitable expenditures, compared with €3.3 billion in profits and €44.6 billion in assets reported by the IKEA Group.²⁹ While the charitable giving channelled through the IKEA Foundation has increased over the past 10 years, it still only represents a small part of the profits made by the IKEA Group.

• **Stichting INGKA is still controlled by the Kamprad family and close associates.** The statutes of Stichting INGKA stipulate that it will be governed by a five-member board including two members from the Kamprad family. Currently, the Kamprad family members on the Stichting INGKA board are Ingvar's sons, Jonas and Peter Kamprad.³⁰ The non-Kamprad members of the board include: Karl Frederik Paulsson, son of one of the founders of Peab – a

large Swedish construction firm which has a contract to build stores for IKEA; Johan Kuylenstierna, a private banker, who owns an asset management firm based in Luxembourg and Göran Grosskopf, a businessman and retired tax professor and former IKEA Group chairman and Inter IKEA board member who is known for his close relationship with Ingvar Kamprad.³¹ It so happens that Grosskopf is the chairman of the Peab board and the Kamprad Family Foundation is a major shareholder in the company.³² These facts appear to contradict Ingvar Kamprad's claims that he "decided to give IKEA" to "independent foundations".

While legal ownership of the IKEA Group lies with Stichting INGKA, the IKEA Group remains firmly under the control of the Kamprad family and a few close associates.

FIGURE 3: BOARD OF THE STICHTING INGKA FOUNDATION (IKEA GROUP)



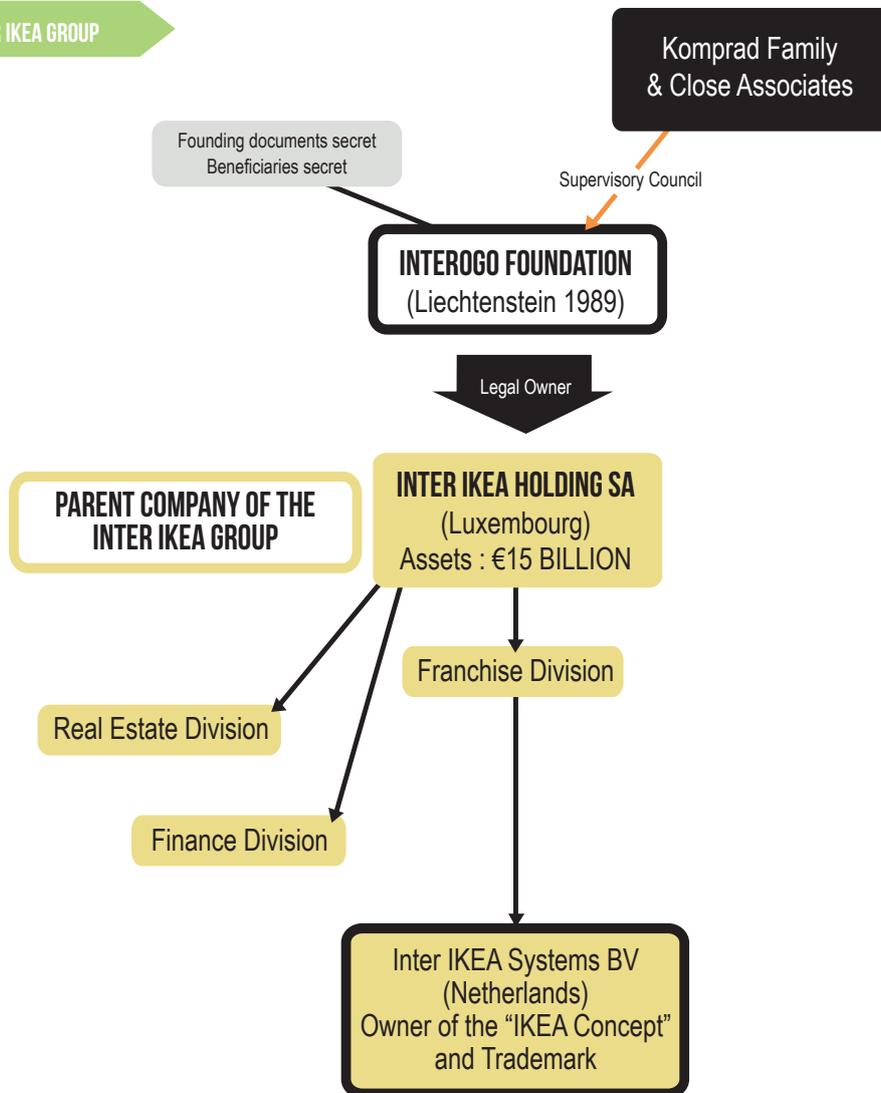
IV. THE SECRETIVE LIECHTENSTEIN FOUNDATION THAT OWNS THE INTER IKEA GROUP

It gets even more interesting when we realise that the 'other' IKEA – Inter IKEA Group - has its legal owner in Liechtenstein, a small country where the beneficiaries of trusts and private foundations can remain secret.

Ingvar Kamprad transferred legal ownership of the Inter IKEA Group to the Liechtenstein-domiciled Interogo Foundation in 1989.³³ This arrangement remained a closely-guarded secret until it was exposed by Swedish investigative journalist

Magnus Svenungsson in 2011.³⁴ At the time, Svenungsson speculated that Interogo was being used by IKEA to avoid taxes. Subsequently, Swedish tax expert Peter Sundgren and German researcher Karl Martin-Hentschel have provided additional insight into how this might work.³⁵ **This report presents new evidence that Inter IKEA has used a Dutch conduit company to dodge taxes by shifting profits to Interogo in Liechtenstein.**

FIGURE 4: STRUCTURE OF THE INTER IKEA GROUP

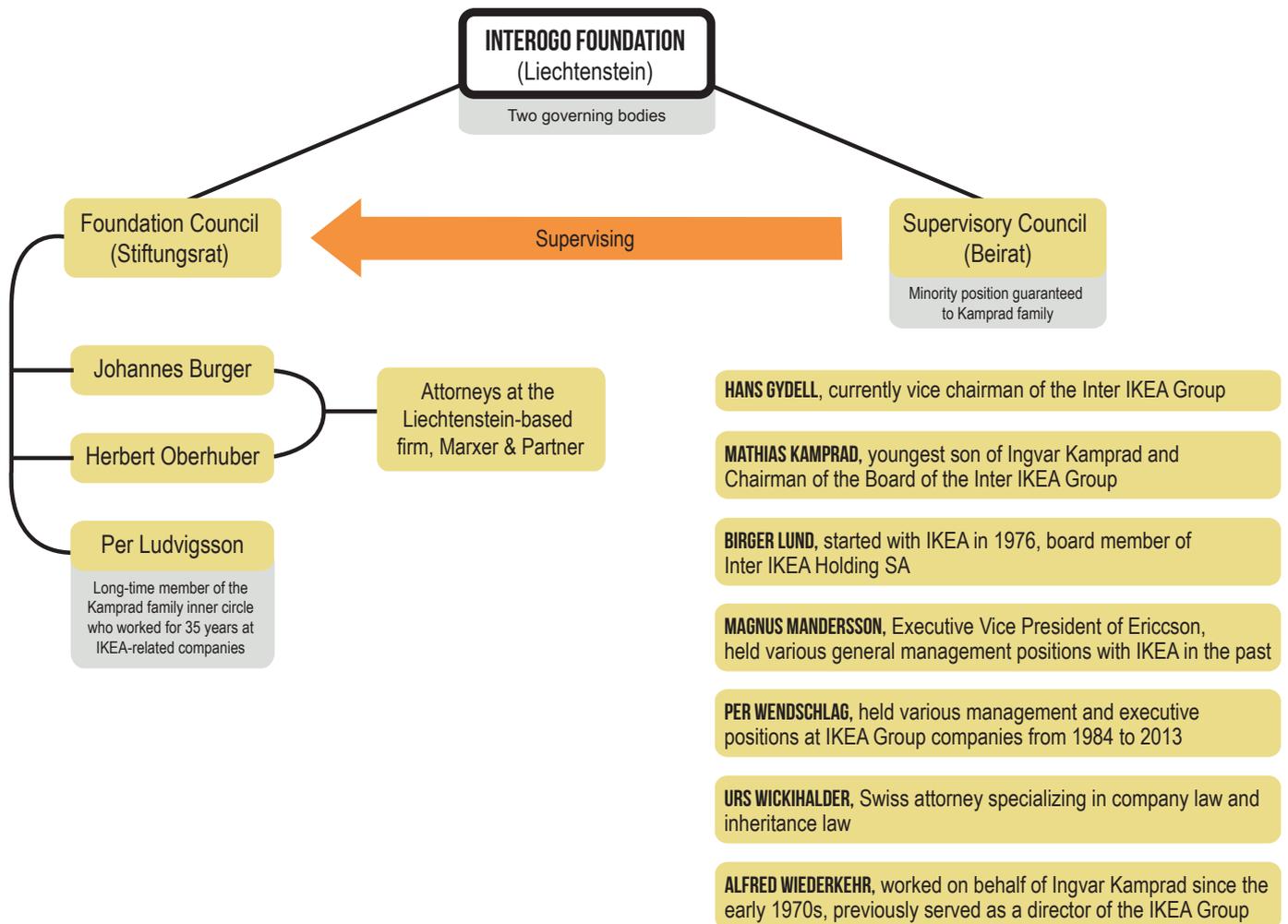


According to the Inter IKEA Group, the Kamprad family can neither exercise control over the Interogo Foundation nor benefit financially from it: "the characteristic of an enterprise foundation is that it 'owns itself', and funds held by the foundation can only be used for its determined purposes. Consequently the Kamprad family does neither own nor control Interogo".³⁶

However, the fact is that the Kamprad family exercises a high degree of control over Interogo Foundation through their guaranteed minority representation on the Supervisory Council and, indirectly, through long-time close associates who serve as members of the Foundation Council and Supervisory Council.³⁸

Interogo Foundation has two governing bodies, a Foundation Council (Stiftungsrat) and a Supervisory Council (Beirat).³⁷

FIGURE 5: GOVERNANCE OF THE INTEROGO FOUNDATION



The Foundation Council currently has three members, including:

- **Johannes Burger**³⁹ and **Herbert Oberhuber**,⁴⁰ two Liechtenstein attorneys at the firm of Marxer & Partner.
- **Per Ludvigsson**, a long-time member of the Kamprad family inner circle who worked for 35 years at IKEA-related companies and has been identified as a mentor to Ingvar Kamprad's sons.⁴¹ Ludvigsson served on the IKEA Group board of directors (INGKA Holding BV, 1982-2001)⁴² and the Inter IKEA Group board of directors (Inter IKEA Holding SA, 1993-2013)⁴³, including stints as Inter IKEA Group President and Chairman.⁴⁴

The Foundation Council is supervised by the seven-member Supervisory Council on which the Kamprad family is guaranteed a minority position of up to three seats. Nonetheless, the majority the Supervisory Council, as disclosed by the Inter IKEA Group,⁴⁵ is composed largely of men with long-standing and close ties to the Kamprads and both of the major IKEA business groups:

- **Hans Gydell**, who is currently vice chairman of the Inter IKEA Group.⁴⁶ Gydell previously held various executive positions in the IKEA Group and served as director of IKEA Group from 1987-2007 and then as a director of the Inter IKEA Group, beginning in 2007.⁴⁷
- **Mathias Kamprad** is the youngest son of Ingvar Kamprad and Chairman of the Board of the Inter IKEA Group. Over the years, he has held positions as a director and/or executive of each of the three main Kamprad family business groups.
- **Birger Lund**, who started with IKEA in 1976⁴⁸ and served as country manager of IKEA Group subsidiaries in the Netherlands, United Kingdom, Sweden and China from 1981 until 2002, when he was named CEO of the IKANO Group (owned by the Kamprad family). Lund left the IKANO Group in 2011⁴⁹ and subsequently joined the board of Inter IKEA Holding SA.⁵⁰

- **Magnus Mandersson** is an Executive Vice President of Ericsson, who earlier in his career held various general management positions in Europe and Asia with IKEA.⁵¹
- **Per Wendschlag** held various management and executive positions at IKEA Group companies from 1984 to 2013.⁵²
- **Urs Wickihalder** is a Swiss attorney specializing in company law and inheritance law.⁵³ As of 2013, he was a member of the board of Carpatair, a Romanian airline owned by a group of investors including Ingvar Kamprad and fellow Interogo supervisory board member Alfred Wiederkehr (below).⁵⁴
- **Alfred Wiederkehr** has worked on behalf of Ingvar Kamprad since the early 1970s.⁵⁵ He served as a director of the IKEA Group (INGKA Holding BV) from 1984-1986⁵⁶ and as a director of several Swiss subsidiaries of IKEA Group during the 2000s.⁵⁷

For purposes of accounting and taxation, the IKEA Group and the Inter IKEA Group claim that they are unrelated parties. However, they are both controlled by the Kamprad family and close associates of the family. A number of men who serve on Interogo's two governing bodies have worked for both IKEA groups and, in some cases, at the same time⁵⁸.

Further, Ingvar Kamprad has acknowledged that one of the reasons he split up IKEA and placed its two halves under the legal ownership of foundations in the Netherlands (for the IKEA group) and Liechtenstein (for the Inter IKEA group) was to avoid high inheritance taxes in Sweden (which has since eliminated inheritance tax).⁵⁹ The Big Four accountancy firm Deloitte points out that Liechtenstein has no inheritance tax and that a private Liechtenstein foundation can serve as a tax-efficient vehicle for transferring assets to heirs.⁶⁰



V. HOW IKEA IS AVOIDING TAXES THROUGH THE NETHERLANDS

Part 1 - set up a subsidiary in the Netherlands (Inter IKEA Systems BV)

Fighting corporate tax avoidance is a priority of the European Commission and of the Netherlands, as current Presidency of the European Union. But evidence that Dutch tax law allows the Inter IKEA Group to dodge taxes indicates a serious gap between facts on the ground and the stated objective of ending abusive tax practices by corporations. Every IKEA store in the world pays a 3% franchise fee (or royalties) to the Inter IKEA Group, via a company called Inter IKEA Systems BV, located in the Netherlands. This may allow IKEA to shift profits to tax havens – on a massive scale.

BOX3 THE NETHERLANDS AS A "CONDUIT" TAX HAVEN

The Netherlands has long been a popular jurisdiction for the establishment of so-called "royalty conduit" companies because of the opportunity to benefit from the combined effects of Dutch tax law, the country's wide network of tax treaties and its EU membership:

- ▶ The Netherlands has a wide network of double tax treaties which eliminate or minimize the possibility for the source country to tax royalties and interest payments sent to the Netherlands.
- ▶ Then, the Netherlands does not impose withholding tax on royalties and interest payments sent abroad, even when the destination is a tax haven.
- ▶ The Dutch "Innovation Box" regime in effect since 2007 taxes royalty income at a preferential tax rate of 5%, as compared with the statutory corporate income tax of 25%.
- ▶ Dutch companies are covered by the EU parent-subsidiary directive, which effectively eliminates withholding taxes on payments between parents and subsidiaries within the EU.

Part 2 – send billions in tax-deductible royalties to your Dutch subsidiary

From 1991 to 2014, IKEA franchisees paid €13.6 billion in tax-deductible royalties to the Inter IKEA Group.⁶¹ Today, they pay Inter IKEA more than €1 billion annually.⁶² On a worldwide basis, royalty payments from 2009 through 2014 equalled €6.1 billion – an estimated 22.7% of net income.

Table 1 - Estimated impact of royalties on taxable income of all IKEA franchisees, worldwide (not just the IKEA Group) 2009-2014, billions of euro⁶³ (See Annex A for an explanation of the methodology used to arrive at these estimates).

	2014	2013	2012	2011	2010	2009	Cumulative
Estimated net profit of all IKEA franchisees	3.8	3.8	3.7	3.4	3.1	2.9	20.7
Franchise and license fees paid	1.1	1.0	1.1	1.0	1.0	0.9	6.1
Estimated Impact on taxable income	-22%	-22%	-22%	-23%	-24%	-24%	-22%



Table 2 - Estimated IKEA royalties and tax avoided in EU countries. 2009 – 2014, millions of euro (For a detailed explanation of the data and methodology used to estimate EU tax avoided see Annex B.).

	2014	2013	2012	2011	2010	2009	Cumulative
Estimated franchise and license fees (EU)	671.1	648.1	656.1	620.1	611.4	579.6	3,786.4
Estimated tax avoided in EU countries*	179.0	174.7	178.6	169.9	169.3	160.7	1,032.2
Tax paid by the Inter IKEA Group on franchise fee income	Undisclosed, but likely between 0% and 5% (see below)						

*A small portion of the lost revenues (an estimated €16.5 million over six years) may have been recovered by the ten EU countries which impose withholding tax on royalties to the Netherlands.

Narrowing the focus to IKEA Group subsidiaries and breaking down these data on a per country basis, we end up with impressive figures for tax avoided by just one multinational company in 2014: more than €35 million in Germany, almost €24 million in France and €11.6 million in the UK. For the eight European countries analysed, it is estimated that franchise and license fees reduced taxable income between 35% (Belgium) and 64% (France).

Table 3- Estimated franchise fees and tax avoided for select IKEA Group subsidiaries in the EU FY 2014, millions of euro ⁶⁴

	Sales	Profit	Franchise fees	Reduction to taxable income	Statutory tax rate	2014 tax avoid
Belgium	733.5	41.6	22.0	-35%	34.0%	7.5
Denmark	461.8	16.1	13.9	-46%	24.5%	3.4
France	2,380.2	39.3	71.4	-64%	33.3%	23.8
Germany	4,015.9	ND	120.5	ND	29.6%	36.6
Spain*	1,070.8	ND	32.1	ND	30.0%	7.7
Sweden	1,536.4	53.1	46.0	-46%	22.0%	10.1
United Kingdom	1,843.1	36.7	55.3	-60%	21.0%	11.6
Austria	547.1	21.2	16.4	-43.6%	25.0%	4.1

ND = Not disclosed; See Annex B for sources and methodology.

*The estimated tax avoided is reduced by €1.93 million to account for the 6% withholding tax that may be imposed on IKEA royalties exiting Spain under the Spanish-Dutch tax treaty.



Given the significant impact of royalties on taxes paid by IKEA franchisees, European tax administrations and policy makers should investigate whether the IKEA Group uses royalty payments to artificially shift profits and avoid taxes. Such an investigation should address, among other things,

the question of whether these royalties are ever taxed and at what rate. This report now turns to evidence that Inter IKEA Group uses a Dutch conduit company to avoid almost all tax on a significant portion of these royalties.

Part 3 - move royalties from the Netherlands to Liechtenstein to remain untaxed

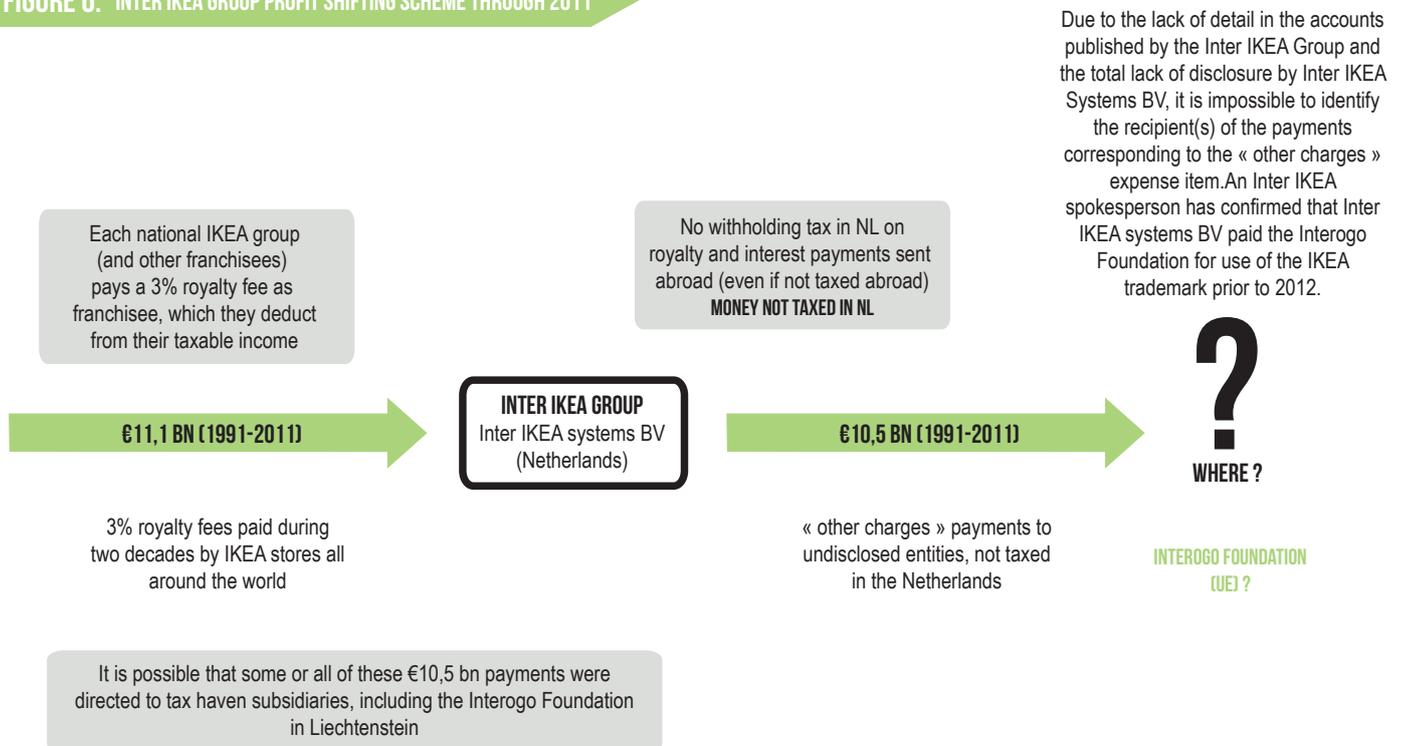
IKEA Group subsidiaries move a large part of their income to Inter IKEA Systems BV in the Netherlands. Subsequently the Inter IKEA Group makes sure much of this income remains untaxed by transferring it (directly or indirectly) to other entities, including the Liechtenstein-domiciled Interogo Foundation. It is doing so partly by using payments of interest on intracompany debt via a subsidiary in Luxembourg. However, we need to distinguish how the Inter IKEA Group proceeded before and after 2012.

parent company of the Inter IKEA Group in Luxembourg) reveal that, in every year since 1991, the Inter IKEA Group has incurred a large expense item designated only as "other charges." From 1991 through 2011, these expenses totalled €10.5 billion – equal to 95% of the income generated by franchise and license fees during that same period (€11,1 billion). At the level of the Inter IKEA Group as a whole, then, these unspecified "other charges" seem to be sufficient to almost entirely offset the royalty income received from IKEA stores.

Before 2012

The annual accounts filed by Inter IKEA Holding SA (the

FIGURE 6: INTER IKEA GROUP PROFIT SHIFTING SCHEME THROUGH 2011



The overall pattern - royalties going in and out of the Dutch subsidiary (almost) untaxed - is consistent with Inter IKEA Systems BV being used as a royalty conduit. However, the lack of accounts disclosure by Inter IKEA Systems BV (in the Netherlands) and by the Interogo Foundation (in Liechtenstein), makes it impossible to identify the entities and jurisdictions which received these payments or to determine their purpose (e.g. paying Interogo Foundation in Liechtenstein for the use of the IKEA trademark?).

Nonetheless, there are two pieces of evidence which suggest that some or all of this €10.5 billion in "other charges" payments were sent to the Interogo Foundation in Liechtenstein. First, an Inter IKEA Group spokesperson has confirmed that Inter IKEA Systems BV (in the Netherlands) had been paying the Interogo Foundation for the right to use the IKEA trademark prior to 2012.⁶⁵ Second, after Inter IKEA Systems BV acquired the IKEA trademark in 2012 (see below), the "other charges" expense item dropped precipitously (from an average of €864.6 million in the three prior years, to an average of €193.7 million over the next three years⁶⁶), suggesting that a significant component of this expense consisted of payments for use of the IKEA brand.

Since 2012

Effective 1 January 2012, the Interogo Foundation (in Liechtenstein) sold the IKEA trademark to Inter IKEA Systems BV (in the Netherlands) for €9 billion. This "€9 billion coup"⁶⁷ was financed with €5.4 billion in loans from Interogo to Inter IKEA Systems BV and a €3.6 billion share premium issued to Interogo.⁶⁸ This transaction therefore created a debt of several billions for Inter IKEA Systems BV (in the Netherlands) simply

by transferring legal ownership of the IKEA brand (previously owned by Interogo in Liechtenstein).

Of course, this new "debt" was essentially manufactured out of thin air by the sale of the previously unvalued trademark. This debt now allows the Inter IKEA Group to shift profits to its legal owner (Interogo Foundation) through tax-deductible interest payments. In fact, from 2012 to 2014, Inter IKEA Systems BV in the Netherlands paid €972 million in tax-deductible interest to Interogo Finance SA in Luxembourg, a subsidiary of the Interogo Foundation (in Liechtenstein).⁶⁹ Interogo Finance SA paid tax in Luxembourg at just 0.06% over the three-year period, while sending €807.8 million in dividends to the Interogo Foundation in Liechtenstein.⁷⁰ It is not entirely clear how Interogo Finance SA achieves such a low rate of taxation in Luxembourg. Although various filings with the Luxembourg Commercial Register suggest the use of a hybrid loan, this is not explicitly reflected in the annual accounts issued by the Company. It may be that Interogo Finance SA has simply received a favourable tax ruling from Luxembourg tax authorities.⁷¹

In addition, the Inter IKEA Group has continued, like before 2012, to incur expenses characterized only as "other charges" for a total amount of €587 million over 2012-2014. As previously discussed, the recipient of these payments is undisclosed, but they could be used to shift royalty income.



FIGURE 7: INTER IKEA GROUP PROFIT SHIFTING SCHEME SINCE 2012

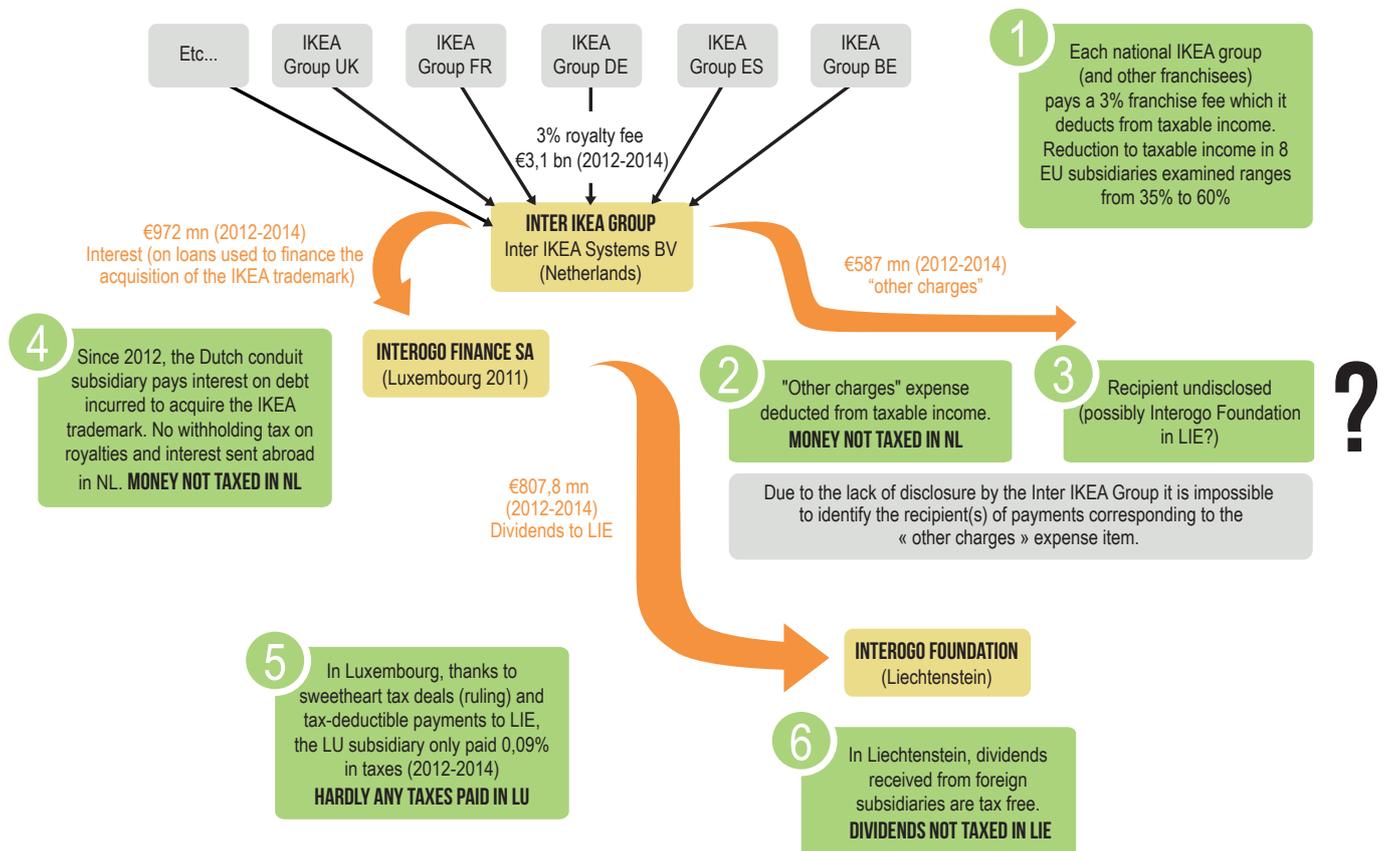


Table 4- Interogo Finance SA as a low-tax conduit from Inter IKEA to the Interogo Foundation, 2012-2014, millions of euro⁷²

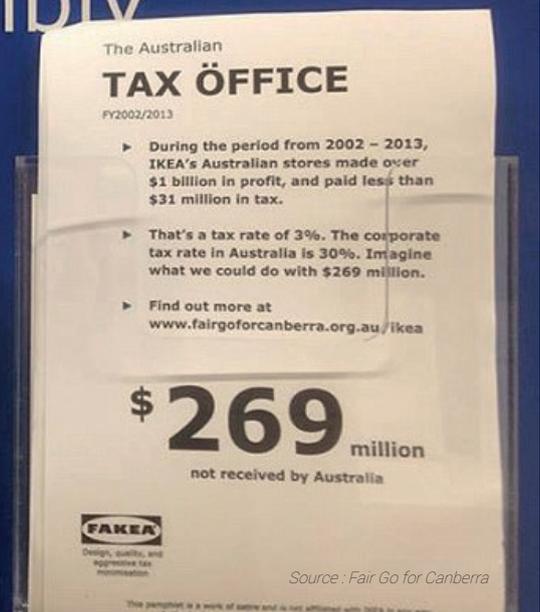
	2014	2013	2012	Cumulative
Interogo Finance SA, Income from fixed financial assets (loan to Inter IKEA Systems BV)	324.0	324.0	324.0	972.0
Interogo Finance SA, Dividends paid to Interogo Foundation, Liechtenstein	323.3	242.1	242.4	807.8
Interogo Finance SA, tax paid	0.209	0.472	0.237	0.918
Interogo Finance SA, rate of tax	0.06%	0.15%	0.07%	0.09%
Interogo Foundation (LI), rate of tax on dividends received from Interogo Finance SA	Undisclosed, but likely 0%			

Over the entire period from 1991 to 2014, Inter IKEA Group managed to reduce its taxable income by more than €12 billion, offsetting almost all of the royalty income received (€14.3 billion) from IKEA stores. The impact on tax paid by the Inter IKEA Group has been enormous. If the "other charges" expenses and the interest paid to Interogo Foundation are included in the Group's net income for the period 1991-2014 this results in an effective tax rate of just 3% (compared to an already low reported rate of 12%)⁷³. Had royalty income been taxed at the Dutch statutory tax rate of 25% Inter IKEA Systems BV would have had to pay an additional €3 billion to the Dutch tax administration.

Unfortunately, this analysis remains somewhat speculative because neither the

Interogo Foundation, nor Inter IKEA Systems BV make their annual accounts available to the public. As a result, there is no way to be certain about the extent of profit-shifting between Inter IKEA Group companies and Interogo. If the analysis presented here is in error, however, there is a simple way for Inter IKEA to correct the record: it could simply release the relevant financial documents. This illustrates the need for detailed public information of where companies have their economic activities and where they actually pay taxes. Public country-by-country reporting for all multinational companies operating in Europe is more than urgent.

We can help
with assembly



Fake' price tags leaflets distributed in a new IKEA store in Canberra to protest against IKEA paying less than \$31 million in tax from 2002 to 2013, despite making over \$1 billion in profit in Australia

VI. FROM BELGIUM TO LUXEMBOURG: USING TAX LOOPHOLES AFTER TAX LOOPHOLES

Unfortunately, the Netherlands is not the only EU member that has facilitated aggressive tax planning by IKEA. The Inter IKEA and IKEA groups have also used two other European tax havens – Belgium and Luxembourg – for tax avoidance operations.

Coordination centres in Belgium

Prior to 2010, a Belgian company called Inter IKEA Treasury SA acted as an internal financing arm for the Inter IKEA Group, generating income from interest on loans offered to group companies and paying out interest to unspecified Inter IKEA affiliates from whom it borrowed the money in the first place.⁷⁴ Inter IKEA Treasury was formally designated

as a “Coordination Centre” -- which entitled it to special tax breaks in Belgium (see Box 4). In 2009, the debt flowing through Inter IKEA Treasury SA amounted to €1.2 billion and the company paid just 1.98% tax on €4.7 million in reported profits.⁷⁵

The IKEA Group has also benefitted from the coordination centre regime through its Belgian subsidiary, IKEA Service Centre NV, which serves as the internal treasury for the Group.⁷⁶ From 2005 through 2009, while formally designated as a coordination centre, IKEA Service Centre NV paid just 0.04% in tax on €1.96 billion in profits – a savings of €647 million as compared with Belgium’s statutory tax rate of 33%.

BOX4 COORDINATION CENTRES IN BELGIUM

The Belgian Coordination Centre regime dates back to 1984. Under this regime, tax benefits were available to subsidiaries of multinational enterprises whose sole purpose was to provide certain services (e.g. financing, accounting) to other subsidiaries of the same MNC. Belgian tax on coordination centres was set at a fixed percentage of the entity’s operating personnel and financial costs. In practice, this resulted in extremely low effective tax rates. Coordination centres also received other tax benefits, including an exemption from withholding tax on dividends, interest and royalty payments to other group companies. Because the underlying payments (interest, service charges) were typically deductible in the source country, this regime was ripe for abuse by MNCs seeking to shift untaxed income from operating subsidiaries to low- or no-tax jurisdictions. In February 2003, the European Commission decided that this special tax break constituted illegal state aid, contrary to European law. The EC ordered Belgium to discontinue the scheme, closing it immediately to new entrants and phasing it out with respect to existing beneficiaries not later than 31 December 2010.

Ruling in Luxembourg for Inter IKEA

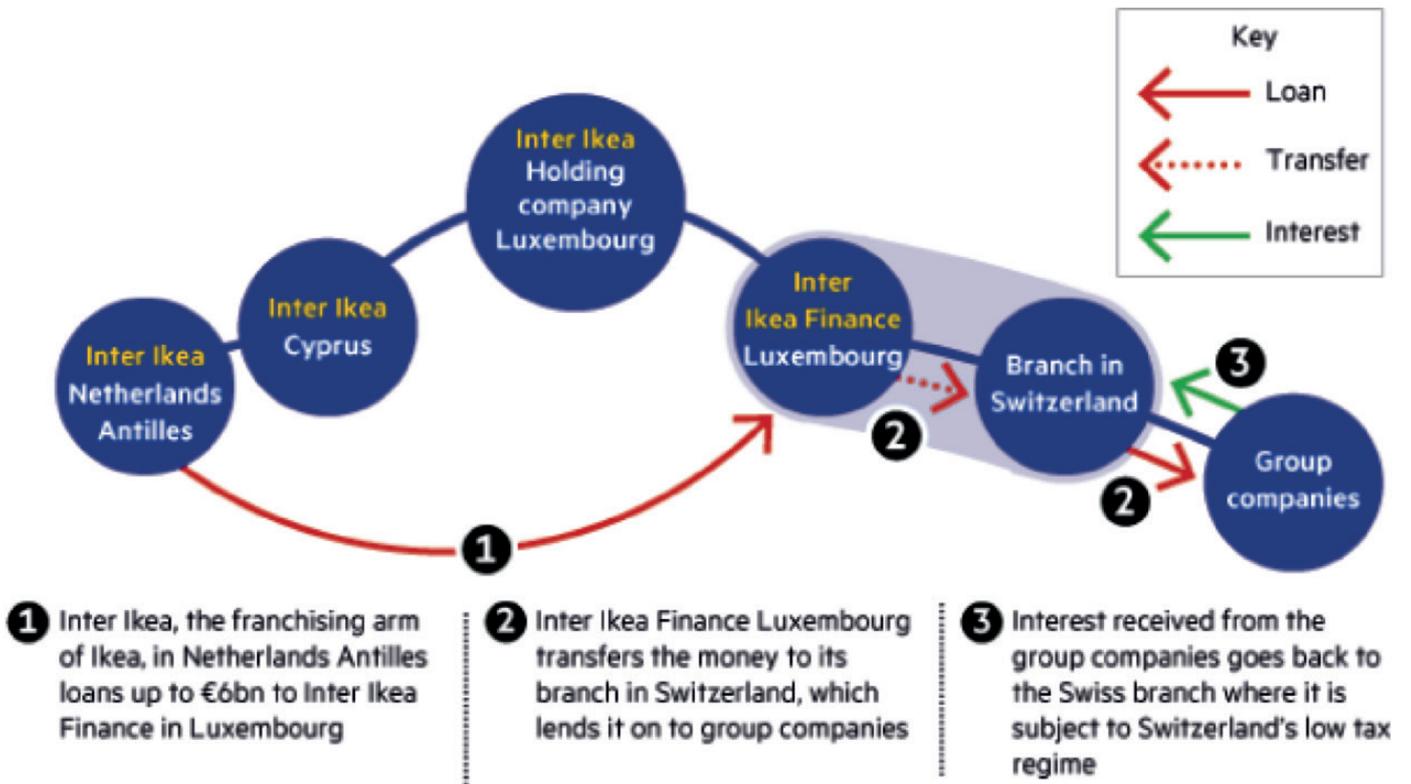
As revealed in “LuxLeaks” documents released last year by the International Consortium of Investigative Journalists, the Inter IKEA Group re-routed its Belgian-based internal financing operation to Luxembourg and Switzerland in 2010. This shift was prompted by legal action taken by the European Commission which ultimately forced Belgium to eliminate the coordination centre regime, effective 2011.⁷⁷ The controversy had originally arisen in 2003, when the European Commission determined that the regime gave rise to illegal state aid under European competition law.⁷⁸ Inter IKEA used the long phasing-out period to re-organize.

In 2009, the Big Four accounting firm PwC requested a

secret tax ruling from Luxembourg authorities on behalf of the Inter IKEA Group. In the letter requesting the ruling, PwC explained that Inter IKEA was reorganizing its internal finance operations in response to the pending elimination of Belgium’s coordination centre regime. PwC proposed, and Luxembourg accepted, an arrangement which guaranteed that an Inter IKEA Group subsidiary (now called Inter Finance SA) domiciled in Luxembourg would pay almost no tax on an estimated €6 billion in loans funded by subsidiaries in Curacao and Cyprus and funnelled to affiliates through a newly established Swiss branch of Inter Finance SA.⁷⁹ In 2014, Inter Finance SA posted a profit of €13.6 million, and paid tax at an effective rate of just 2.4%, as compared with the Luxembourg statutory rate of 29.2%.⁸⁰



FIGURE 8: INTER IKEA GROUP RULING SCHEME IN LUXEMBOURG



Source: Luxembourg Leaks files. International Consortium of Investigative Journalists

Financial Times Graphic

Notional Interest Deduction in Belgium for the IKEA Group

To compensate for the demise of the coordination centre regime, Belgium instituted the Notional Interest Deduction (NID) in 2007. The NID allows companies to deduct fictional interest payments from their taxable income.⁸¹ In practice, the NID can be combined with other elements of Belgian tax law to achieve similar results to the coordination centre regime – in other words, the NID can facilitate profit-shifting and tax avoidance (see box 5).

From 2010 through 2014, IKEA Service Centre NV (an IKEA Group subsidiary) claimed €1.2 billion in notional interest

deductions and paid just €37.5 million in tax on net income of €1.6 billion. This equates to an effective tax rate of 2.4% – a savings of more than €488 million, as compared with Belgium's statutory rate of 33.3%

BOX 5 ON THE NOTIONAL INTEREST DEDUCTION IN BELGIUM

Belgium belongs to the list of European countries having a strong tradition of treasury locations (together with Luxembourg, Ireland and Switzerland). The Notional Interest Deduction regime has been conceived as a replacement for the coordination centre measure, deemed illegal according to European competition law by the European Commission in 2003. This new measure, entered into force in 2007, allows Belgian subsidiaries of multinational companies to offset income derived from providing loans or services to affiliated companies around the world, while those affiliates can deduct the expense of these loans or services from their taxable income in their respective countries. This is a classic way for big companies to shift profits to low or no tax jurisdictions at minimal cost. And in cases where the source country imposes withholding tax on interest payments to Belgium, the Belgian entity can generally offset that expense with a foreign tax credit.

Kurt De Haen, "How Notional Interest Deduction Can Add Value to the Treasury Function in Belgium," *GT News* (3 July 2007). <https://www.gtnews.com/articles/how-notional-interest-deduction-can-add-value-to-the-treasury-function-in-belgium/>

Marc Quaghebeur, "Belgium renovates and Generalizes Coordination Center Regime," *Practical European Tax Strategies* Vo. 7 No. 7 (July 2005). <http://www.taxation.be/pdf/p004.pdf>

Table 5 - IKEA Service Centre NV (Belgium)

Tax savings under the coordination center regime and NID systems (2005-2014), millions of euros⁸²

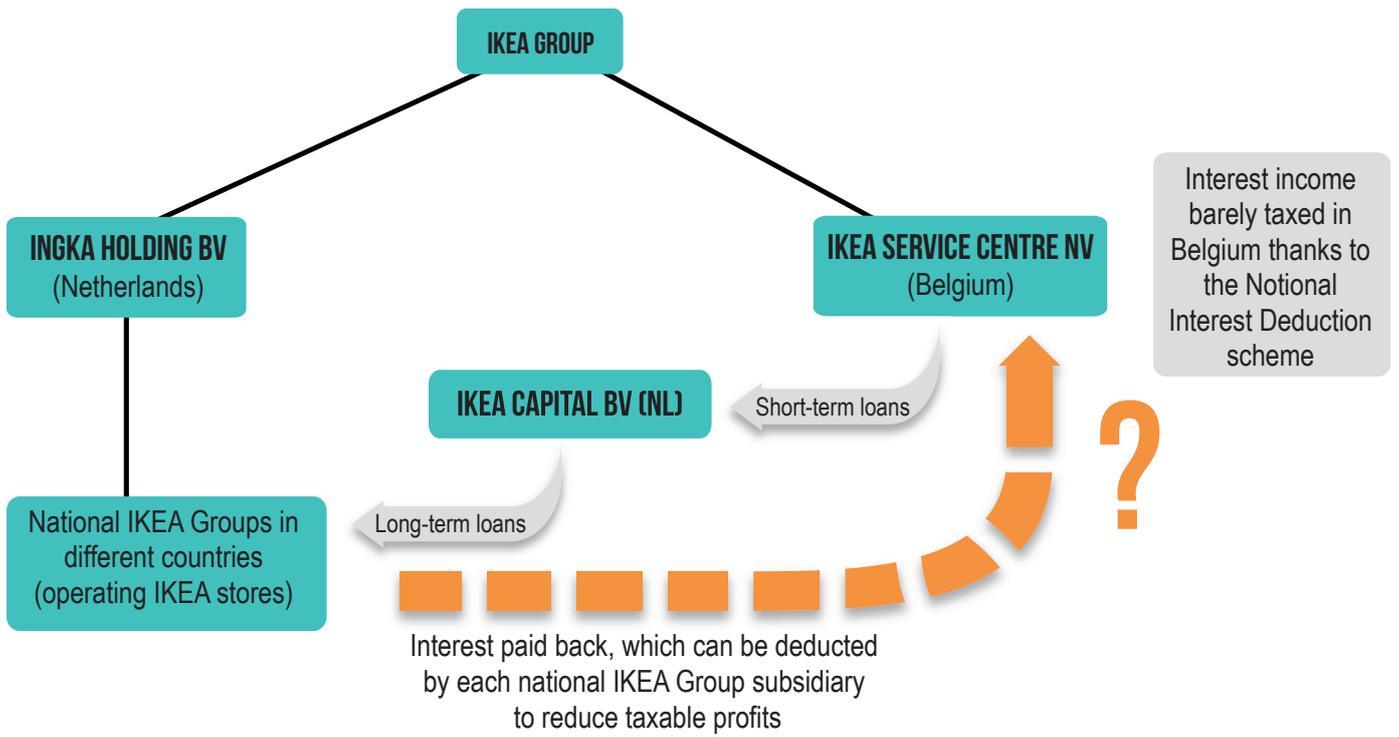
Period	Tax Regime	Net Income	Effective Tax Rate	Tax Avoided vs. 33% Statutory Rate
2010-2014	Notional Interest Deduction	1,592	2.4%	488
2005-2009	Coordination Centre	1,963	0.04%	647

With respect to international taxation, the primary question raised by these findings is the extent to which the NID (and the coordination centre regime before it) allows the IKEA Group to shift untaxed profits from IKEA stores all around the world to low- or no-tax jurisdictions. It is not possible, using public documents, to identify the specific sources or the ultimate destination of funds flowing through IKEA Service Centre NV. However, the structures identified in this analysis suggest that debt is being "pushed down" to operating subsidiaries in order to reduce their taxable income. Here is how it appears to work in practice:

- IKEA Service Centre NV provides the short-term loans which secure long-term intracompany loans made by its Dutch parent company (IKEA Capital BV) to IKEA Group subsidiaries in countries including Australia, the Netherlands, France, Norway, the US and China.⁸³
- The corresponding interest payments by these IKEA Group subsidiaries reduce their taxable income
- The income that ultimately flows to IKEA Service Center NV from these interest payments faces almost no tax thanks to the NID.



FIGURE 9: THE NOTIONAL INTEREST DEDUCTION SCHEME IN BELGIUM BY IKEA GROUP



CONCLUSION AND RECOMMENDATIONS

BOX 6 WHAT WILL THE EUROPEAN COMMISSION ANTI-AVOIDANCE TAX PACKAGE CHANGE?

On 28 January 2016, the European Commission launched its Anti-Tax Avoidance Package (ATAP) aimed at providing a coordinated EU wide response to corporate tax avoidance, following global standards developed by the OECD on base erosion and profit shifting (BEPS) adopted in November 2015. The Greens view this package as a small but incomplete step for addressing tax avoidance by large corporations in Europe. This report now illustrates with IKEA how the package could be tackling some tax avoidance schemes but also how it won't be addressing some key regulatory gaps typically used by companies to avoid their tax responsibility.

- ▶ Multinationals will be required to provide tax administrations with country by country reporting of profits and taxes paid but these filings will be kept hidden from the public. INGKA Holding BV (parent company of IKEA Group in the Netherlands) and Inter IKEA Holding SA (parent company of the Inter IKEA Group in Luxembourg) will have to report their activities to their respective tax administrations but the public still won't know where IKEA ultimately pays 'its fair share of taxes'.
- ▶ The question remains on how to ensure that IKEA's massive royalty payments are taxed in an appropriate jurisdiction at a reasonable rate. This is in line with the stated objective of ensuring 'taxes are paid where economic activity takes place'.
- ▶ The proposal on the deductibility of interest on intracompany debt seems weak. IKEA and other multinationals will still be able to use intracompany loans to shift profits and avoid taxes.
- ▶ Tax rulings will be shared with tax administrations but kept hidden from the public. Unless courageous whistleblowers risk their freedom by leaking more tax rulings, we will only be able to speculate about IKEA's apparent sweetheart deals with Luxembourg (and perhaps other jurisdictions).
- ▶ Although the EC has acted to prohibit abusive hybrid loans within the EU, the new proposals do not appear to prohibit abusive hybrid loans between EU and non-EU countries. If the Inter IKEA group uses a hybrid financial instrument to shift profits from Luxembourg to Liechtenstein, this would not be covered by the proposals.
- ▶ The proposals do not contain measures to tackle scheme which could be considered harmful such as the Belgian notional interest deduction or patent / innovation boxes.

While there are some good intentions in this ATAP, it seems that it will still be too easy for big companies and European tax havens to continue certain abuses. Critical issues like public disclosure of companies' profits and taxes paid as well as a minimum level of effective taxation are crucially missing in this package and should be addressed urgently by the Member States.

IKEA is a well-known brand, famous all over the world for its humorously-named flat-pack furniture kits. What is less known by IKEA's customers and European citizens in general is how this giant company has managed to structure itself to avoid paying a large amount of taxes. **This report clearly shows how a few European countries (the Netherlands, Luxembourg and Belgium) are facilitating this corporate tax avoidance.** And if IKEA is doing it, many other companies are doing it too.

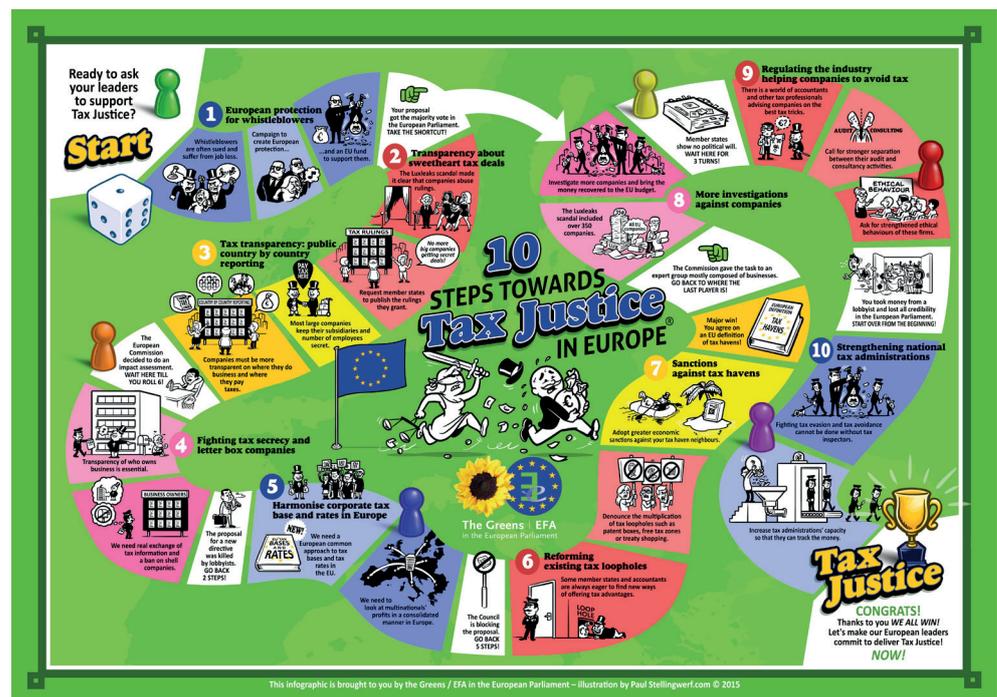
This report also clearly demonstrates that greater transparency is needed from large multinationals operating in Europe. With public trust in multinational companies at very low levels, European citizens will demand to know more about why IKEA is structuring itself in two different groups owned through secretive foundations in Liechtenstein and the Netherlands. There might be some legitimate reasons – other than tax avoidance – for these arrangements. We will only be able to understand the truth about IKEA and other multinationals when they are required



to disclose where they employ people, where they have assets and subsidiaries and where they declare profits and pay taxes. This is why public 'country-by-country reporting' has been one of the Greens' key proposals on tax for more than a decade now.

Finally, this report shows why we need urgent corporate tax reforms at the European level, in order to put an end to harmful tax competition between European member states and to move towards greater tax cooperation and harmonisation. Implementing effective rules and closing loopholes should be an absolute priority for EU leaders, who have a responsibility to ensure that multinational companies pay their fair share of taxes.

Interestingly - and ironically, it is now up to the Dutch Presidency of the European Union to move these efforts forward and go beyond what the Commission proposed at the end of January. As Greens, we will call for ambitious reforms and will monitor progress over the next months, to ensure that EU citizens' interests are put before the privileges of multinationals.



RECOMMENDATIONS

- 01** **The Council of Member States should adopt a more ambitious Anti-Tax Avoidance Package.** As demonstrated in this report, the ATAP proposal presented by the European Commission will not entirely address all the loopholes used by the IKEA Group and the Inter IKEA Group to reduce their tax payments. We need more ambitious proposals to be agreed by the end of the Dutch Presidency in order to really fight corporate tax avoidance in Europe.
- 02** **Make tax rulings between companies and European countries publicly available.** Thanks to the Luxleaks scandal, we know that the Luxembourgish subsidiary of the Inter IKEA group has paid tax at an effective rate of just 2.4%, as compared with the Luxembourg statutory rate of 29.2%. If those deals are accepted by European governments, they should be public for citizens to know how favorably multinationals are treated.
- 03** **Adopt public country by country reporting for all large companies operating in Europe.** While we have uncovered some telling facts about IKEA's tax planning activities, we cannot entirely confirm (or infirm) them until we have access to more information in their annual report. Publishing a series of key financial information as already exists for European banks is a long-standing Green demand.
- 04** **Fighting tax secrecy.** As we have seen, both IKEA Groups use foundations, which enables secrecy on who owns them and for what exact purposes they are being used. Greater transparency about real owners of foundations and other secret vehicles like trusts is urgently needed.
- 05** **Close existing tax loopholes.** This report shows how Inter IKEA is benefiting from key loopholes in existing national and European legislation (non-taxation of royalties, hybrid loan, intra-company loan, notional interest deductions...) to ensure some profits are never (or barely) taxed across the different countries it goes through. These are just a few examples of how companies can reduce their tax contribution because we lack coordination between 28 different tax systems in Europe. This also raises the debate about minimum effective taxation in Europe, to ensure that income being shifted around is at least taxed somewhere in Europe at a minimum rate.
- 06** **Harmonise the corporate tax base in Europe.** With a common and consolidated corporate tax base, multinational companies would no longer be able to shop around and choose in which European countries they will enjoy preferential tax treatment. This reform discussed by EU Finance Ministers for five years already deserves political priority in the Council, once the Commission has made its new proposal later this year.
- 07** **Open investigations into IKEA's tax practices.** The European Commission and national tax administrations need to investigate further whether IKEA's tax treatment constitutes illegal state aid according to EU competition law or is contrary to national law. Its preferential treatment with a ruling in Luxembourg should be investigated further along with other potentially harmful tax measures (e.g. the notional interest deduction scheme in Belgium or the absence of withholding tax on royalties under bilateral treaties if the beneficial owner is domiciled in Liechtenstein).



ANNEX A

Methodology for estimating total net income of all IKEA franchisees

Total sales for all IKEA stores obtained from the annual accounts of Inter IKEA Holding SA, the Luxembourg-domiciled parent of the Inter IKEA Group. Franchise fees equal 3% of sales, as disclosed by the Inter IKEA Group in its annual accounts.

At the end of FY 2014 the IKEA Group operated 87% of all IKEA stores (315 out of 361). Net income for all IKEA franchisees was estimated based on the assumption that the IKEA Group earns 87% of total net income for all IKEA franchisees. The IKEA Group discloses its net income in the annual accounts of INGKA Holding BV, the Dutch-domiciled parent company of the IKEA Group.

ANNEX B

Estimating EU royalties and tax avoided Methodology for estimating EU Royalties and tax avoided

Total franchise and license fee expense is disclosed as income in the annual accounts of Inter IKEA Holding SA (Luxembourg), the parent company of the Inter IKEA Group. The totals used in this analysis include income characterized as franchise and license fees and media sales from 2011 to 2014. Prior to 2011, these two items were both reported as royalties in a single line item.

Inter IKEA does not disclose the amount of franchise and license fees by country or region. EU franchise and license fees were estimated as 61.9% of total franchise and license fees, based on the percentage of IKEA stores located in the European Union (234 out of 378 total) as of December 2015, as reported by Inter IKEA.⁸⁵ The 2015 store count was used because there is not an official source for country-level store counts for previous years. The store counts used are: Austria (7); Belgium (6); Bulgaria (1); Croatia (1); Cyprus (1); Czech Republic (4); Denmark (6); Finland (5); France (31); Germany (50); Greece (5); Hungary (2); Ireland (1); Italy (21); Lithuania (1); Netherlands (13); Poland (9); Portugal (3); Romania (1); Slovakia (1); Spain (19); Sweden (19); Switzerland (9); United Kingdom (18).

The amount of EU taxes avoided was estimated on the basis of a weighted average tax rate for each year, calculated using the number of stores in each country (as of 2015) and the country-level tax rate for the year as reported by KPMG.⁸⁶ The weighted average tax rates used are: 2014 (26.67%); 2013 (26.96%); 2012 (27.22%); 2011 (27.39%); 2010 (27.69%); 2009 (27.73%).

IKEA Group Subsidiaries Included in Table 3

The subsidiaries included in this analysis are: Austria (IKEA Möbelvertrieb OHG); Belgium (Ikea Belgium NV); Denmark (IKEA A/S); France (Muebles IKEA France SAS); Germany (IKEA Deutschland GmbH & Co KG); Sweden (IKEA Svenska Försäljnings AB); United Kingdom (IKEA Limited); and Spain (IKEA Iberica SA).

Data Sources Other than Annual Accounts of the Included Subsidiaries

For IKEA Svenska Försäljnings AB sales data is disclosed in the annual accounts of the parent company, IKEA AB. IKEA AB does not disclose profits for IKEA Svenska Försäljnings AB. IKEA Deutschland GmbH & Co KG does not publish annual accounts. Sales revenues for Germany are estimated based on the percentage of total IKEA Group sales attributed by the Group to Germany. IKEA Iberica SA does not publish full annual accounts; sales figures for Spain were obtained from Infocif.⁸⁷ Where necessary, sales and profit figures were converted from national currencies using historical exchange rates provided at OANDA.com.

Withholding Taxes

EU countries which impose withholding taxes on royalties to the Netherlands include: Bulgaria (5%, 1 store); Czech Republic (5%, 4 stores); Greece (7%, 5 stores); Italy (5%, 21 stores); Lithuania (10%, 1 store); Poland (5%, 9 stores);



Portugal (10%, 3 stores); Romania (3%, 1 store); Slovakia (5%, 1 store); Spain (6%, 19 stores). These countries account for 28% of IKEA's EU stores and consequently this analysis attributes 28% of estimated EU royalty payments to them. In 2014, the average withholding tax for these countries, weighted by the number of IKEA stores was 5.7%. A 5.7% withholding tax on 28% of estimated EU royalty payments

from 2009 to 2014 would equal just €16.5 million. The weighted average statutory corporate income tax rate for these ten countries in 2014 was 26.7%, which would have yielded €77.2 million in tax over the same six-year period (the weighted average statutory rate of tax declined very slightly from 2009 to 2014, but this analysis ignores that variation for the sake of simplicity). See above for sources.

ANNEX C

Details of the IKEA Trademark Sale

The Interogo Foundation established Interogo Finance SA in Luxembourg in November 2011 and capitalized it with a €5.4 billion claim.⁸⁸ This claim likely corresponds to the debt incurred by Inter IKEA Systems BV in order to finance its acquisition of the IKEA trademark from the Interogo Foundation in 2012. In other words, it appears that Interogo Foundation loaned Inter Ikea Systems BV €5.4 billion to buy the trademark and then transferred ownership of that loan to its newly established Luxembourg subsidiary, Interogo Finance SA (the statutes of Interogo Finance SA state explicitly that the company's sole shareholder, the Interogo Foundation, is entitled to all profits).⁸⁹

There is clear evidence that the funds flowing to Interogo originate with Inter IKEA Systems BV. Although Inter IKEA

Systems BV does not publish annual accounts, the financial statements of its parent company, Inter IKEA Holding SA (LU), disclose an increase in interest expenses from €55.2 million to €377.5 million in 2012, and specifically attribute this increase to the debt incurred to acquire the IKEA trademark (Table 7).⁹⁰ Further, the annual accounts of Interogo Finance SA reveal that its entire income is derived from the €5.4 billion claim transferred to it by the Interogo Foundation. There is also clear evidence in the annual accounts filings that Interogo Finance pays almost no tax on its income and passes most of it to the Interogo Foundation in Liechtenstein as dividends



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1. When this report uses the generic term « IKEA » without further precision, it usually refers to what European citizens and customers have in mind when immediately thinking about the company, i.e. a well-known brand. In all other cases, the report is paying great attention to distinguish whether we are referring to the IKEA Group or the Inter IKEA Group.
2. This report uses the terms "royalties" and "franchise and license fees" interchangeably to refer to income typically characterized in the Inter IKEA accounts as royalties. Beginning in 2011, an item called media sales is broken out separately in the financial statements of Inter IKEA Holding SA. However, it is evident from comparing the filings for FY 2011 and FY 2010 that media sales had previously been included within the royalty line item. For purposes of the analysis conducted for this report media sales are included in the calculation of royalties for the years 2012-2014.
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13. IKEA, "We are open about the way we are structured," (ND). http://www.ikea.com/ms/fi_FI/about_ikea/pdf/We_are_open_Ingvar_comments.pdf
14. The Curaçao Commercial Register shows that I.I. Holdings B.V. (108654) was incorporated 5 November 1973; in Luxembourg, I.I. Holding SA was constituted on 5 November 1973, as per its statutes, (Document 503473, filed with the Luxembourg authorities on 13 December 1973, obtained from the Luxembourg Registre de Commerce et de Sociétés). I.I. Holding SA was merged into a Curaçao company in December 2009 (I.I. Holding SA, Document L090188602, filed 9 December 2009 in the Luxembourg Registre de Commerce et de Sociétés <http://www.etat.lu/memorial/2009/C/Html/2545/2009155324.html>). This company was most likely the aforementioned I.I. Holdings BV, which was subsequently liquidated by the Interogo Foundation in Liechtenstein (See the Curaçao KvK Commercial Register entry for I.I. Holdings BV). As of its last annual accounts, I.I. Holding SA reported €2.01 billion in assets (I.I. Holding SA, Annual accounts for FY 2008).
15. Profile of INGKA Holding BV (No. 33173748), obtained from the Dutch Chamber of Commerce (KvK)
16. Profile of Stichting INGKA Foundation (No. 4120214), obtained from the Dutch Chamber of Commerce (KvK)
17. Inter IKEA Holding SA, Annual accounts for FY 2014.
18. "Company Information," IKEA Group (Accessed 31 December 2015). http://www.ikea.com/ms/en_US/this-is-ikea/company-information/
19. Currently, a subsidiary of the Inter IKEA Group, Inter IKEA Systems BV, "commissions" IKEA Group subsidiaries to set the IKEA furnishings product range (IKEA of Sweden AB), set the IKEA food and beverage range (IKEA Food Services AB, Sweden) and handle wholesale sales in "certain markets" (IKEA Supply AG, Switzerland) (see Ingka Holding BV, Annual report 2013/14, p. 45). Inter IKEA has announced that these functions will be transferred to the Inter IKEA Group as of 31 August 2016 (see Inter IKEA Group, "Franchisor," (accessed 15 December 2015) <http://www.inter.ikea.com/divisions/franchise/>)
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71. In this context, a hybrid loan is a financial instrument that is treated as debt in the country of the payer, but equity in the country of the payee. This allows the payer (in this case, Interogo Finance SA in Luxembourg) to deduct "interest payments" from its taxable income, while the payee (Interogo Foundation and its subsidiary Interogo Treasury AG in Liechtenstein) treats the income it receives as a tax-exempt dividend. Interogo Finance SA filings available at the Luxembourg Registre de Commerce et de Sociétés do lend some support to the notion that the Interogo Foundation's investment in Interogo Finance SA, executed via the issuance of mandatory redeemable preference shares, has the characteristics of a hybrid loan (see Interogo Finance SA, Document L110194293, filed in the Luxembourg Registre de Commerce et des Sociétés 7 December 2011. <http://www.etat.lu/memorial/2012/C/Html/0096/2011167477.html>; Interogo Finance SA, Document 2012029278/72, Filed in the Luxembourg Registre de Commerce et de Sociétés 7 March 2012. <http://www.etat.lu/memorial/2012/C/Html/0950/2012029278.html>).
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