

Microsoft says it pays Chinese taxes after cryptic media report

BEIJING, CHINA: Software giant Microsoft said Wednesday that it pays Chinese taxes "consistent" with a China-US bilateral agreement, following a cryptic media report that a foreign company with similarities to it agreed to settle a multi-million dollar bill for back taxes...



Microsoft established a business in Beijing in 1995.
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The official Xinhua news agency, in a Chinese-language report published Sunday, said that a well-known US-based company - long among the world's top 500 corporations and with operations in China - had agreed to pay ¥840m (\$136.9m) in back taxes and interest over an unspecified period.

The report also said that the company agreed to pay additional taxes of more than ¥100m a year in the future. Xinhua said the tax calculation was based on current sales. It did not identify the company by name, simply referring to it as "M Company."

That, as well as other identifiers such as the company having established a business in Beijing in 1995, led to foreign media speculation it was referring to Redmond, Washington-based Microsoft.

"The description matches, at least in part, that of US software giant Microsoft, a Fortune 500 company that set up its Chinese subsidiary Microsoft (China) Co in Beijing in 1995," Dow Jones Newswires reported.

Microsoft 'cooperates with tax authorities'

Microsoft, in an emailed statement to AFP, said it could not confirm that it is the corporation mentioned by Xinhua. But the company emphasised that it "adheres carefully to the laws and regulations" in all countries where it does business and that it cooperates with tax authorities to ensure it is compliant with local law.

It also said that in 2012 China and the United States agreed a "bilateral advanced pricing agreement with regards to Microsoft's operations in China".

The accord is "an acknowledgement by both countries that Microsoft's profits are subject to the appropriate tax in China", Microsoft said.

"While we cannot confirm that Microsoft is the company in question in a recent Xinhua report, China receives tax revenue from Microsoft consistent with the terms of the agreed advanced pricing agreement."

Microsoft has been facing a Chinese government investigation for alleged "monopoly actions" regarding products such as its flagship Windows operating system, used on the majority of computers in China. Microsoft chief executive officer Satya Nadella visited China in September for the first time since taking up the post in February, in what Chinese state media portrayed as an attempt to appease regulators over the investigation.

Foreign companies in a range of industries have been investigated this year in sectors including pharmaceuticals, foods and automobiles over a range of issues including alleged anti-monopoly violations.

China's commerce ministry said earlier this year that anti-monopoly probes were meant to promote fair competition and protect consumer rights and did not discriminate between foreign and domestic companies.

Source: *AFP*, via I-Net Bridge

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