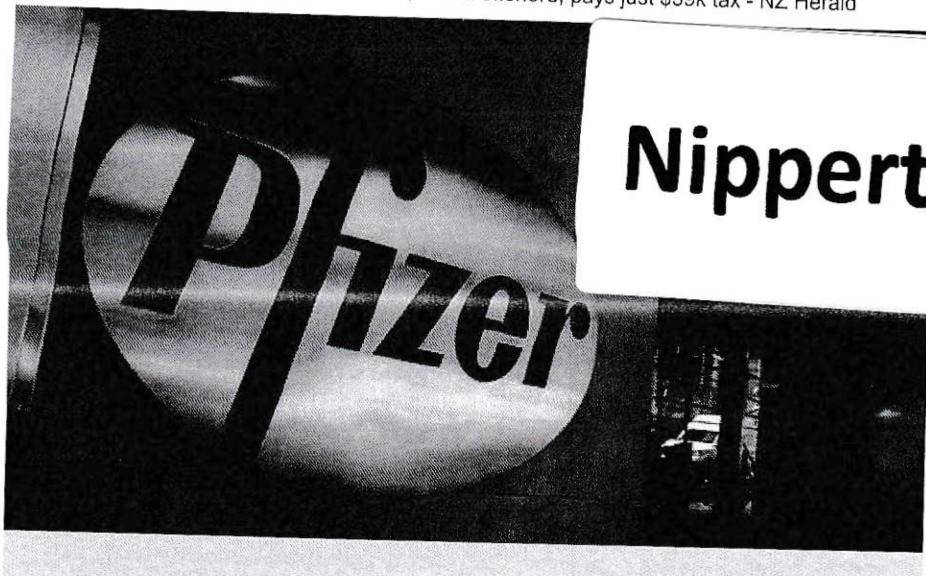
Nippert, 2016a



BUSINESS

Pfizer sends $52.5m offshore, pays just $59k tax

3 May, 2016 1:50pm

4 minutes to read

Financial reports show in the year to 30 November 2015 Pfizer's local branch made a $22.5m "return of capital" payment to its Netherlands-based holding company. Photo / Getty

By: **Matt Nippert**
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The New Zealand branch of Viagra-making drug giant Pfizer shipped $22.5 million in "return of capital" payments to its Netherlands-based parent last year, at the same time it was paid hundreds of thousands of dollars by Inland Revenue in income tax refunds.

The stark figures have sparked calls from the Green Party for the Government to follow the lead of Australia who are widely tipped to introduce at their budget tonight a "Google tax" aimed at clawing back billions in diverted profits.

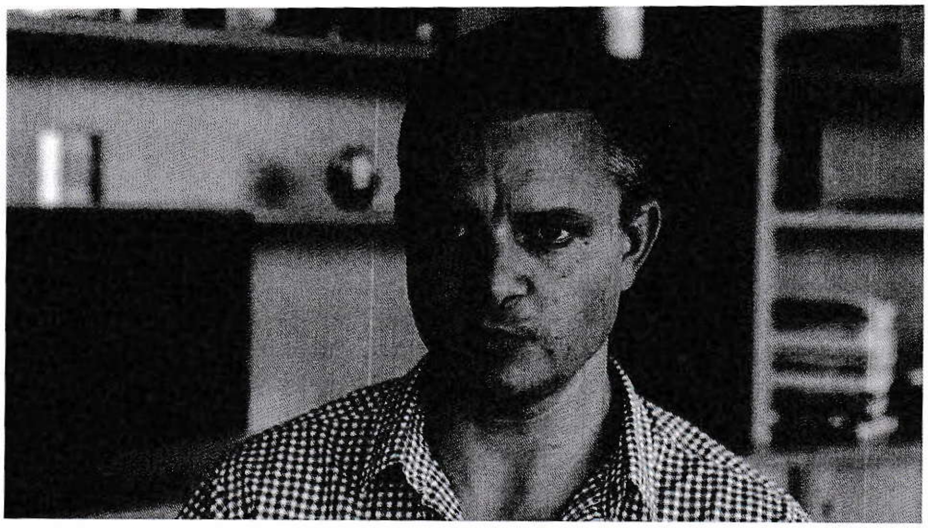
Financial reports filed with the Companies Office by the drug company's local subsidiary Pfizer New Zealand show in the year to 30 November 2015 their local branch made a $22.5m "return of capital" payment to its Netherlands-based holding company.

The year earlier this parent company, Pfizer Global Holdings B.V., was also paid a $30m dividend from its New Zealand subsidiary.

While the company recorded provisions for income tax for this two-year period of $1.4m, according to cashflow statements the company only paid Inland Revenue a net $59,000 in income tax.

A spokesman for Pfizer employed out of its Australian office declined the opportunity to comment on the $52.5m in payments to the Netherlands, or their relatively low tax bills in New Zealand, instead referring the *Herald* to a statement it issued in March for the Tax Gap series.

"Corporate integrity is a top priority for Pfizer. Pfizer abides by all the local laws and standards. We are strongly committed to complying with all applicable laws and regulations, including tax and accounting laws, in New Zealand and wherever we do business," the statement said.



Green party co-leader James Shaw on why and how the government should crack down on profit-shifting.

It looks like a classic case of profit-shifting, as to avoid paying tax in New Zealand.

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The tax planning of multinational companies, particularly pharmaceutical firms, have come under increasing scrutiny in recent years over their shuffling of profits into low-tax jurisdictions.

According to a recent Herald investigation into the Tax Gap, drug firms took six places on a ranking of the twenty multinational companies most aggressive in shifting profits out of New Zealand.

It was later revealed MSD, the drug firm lobbying taxpayer-funded drug-buying agency Pharmac to pay $30m for its melanoma drug Keytruda, paid less in income taxes than John Key did on his Prime Minister's salary.

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Pfizer's average tax payments to Inland Revenue of $29,500 were less than PAYE payments of even backbench MPs.

Green Party co-leader James Shaw said the huge discrepancy between tax paid in New Zealand and funds moved offshore was concerning.

"It looks like a classic case of profit-shifting, as to avoid paying tax in New Zealand. And it's crazy in this case you've got a sector putting huge pressure on New Zealand to change the Pharmac model to suit its interest, and then engaging in this sort of behaviour, " he said.

The Australian budget announcement tonight is tipped to introduce a variation of the United Kingdom's "Google Tax" aimed at prevent multinational corporations unfairly shifting taxes out of Australia.

Shaw said the New Zealand government - particularly Minister of Revenue Michael Woodhouse and Finance Minister Bill English - should be paying close attention to the actions of our neighbours and trading partners.

"We ought to be following their lead quite closely, particularly Australia who look to have put in place reasonable aggressive measures on this which look to be having an impact," he said.

Pfizer New Zealand's 2015 accounts

The $22.5m "return of capital" payment in 2015 followed a complicated rearrangement of Pfizer's domestic affairs.

Notes to its accounts say this sum was the proceeds of its sale of its "Innovative Products, Vaccines, Oncology and Consumer Business" to related-party Pfizer PFE New Zealand.

The deal also saw Pfizer New Zealand transfer $14m in cash to the new company.

Financial statements for Pfizer PFE New Zealand have yet to be filed, but are expected to account for much of Pfizer New Zealand's recorded drop in revenues between 2014 and 2015 from $91m to $45m.

The new company also has a new, albeit still Netherlands-registered, owner, Pfizer PFE New Zealand Holding B.V.

While the tax arrangements of Pfizer New Zealand parents' are unknown, in January the Dutch Finance Minister said it would clamp down on tax evasion.

"If the Netherlands has been part of the problem in the past, we want to be part of the solution from now on," Dutch Finance Minister President Jeroen Dijsselbloem told Reuters.

Pfizer was also forced to last month scrap its planned corporate inversion, or the shifting of its operations to low-tax Ireland, after President Barack Obama pushed Congress to tackle the "huge problem" of global tax avoidance.

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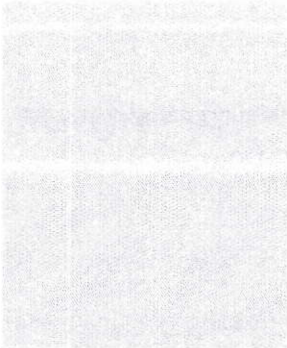

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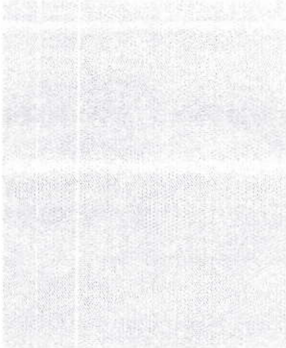

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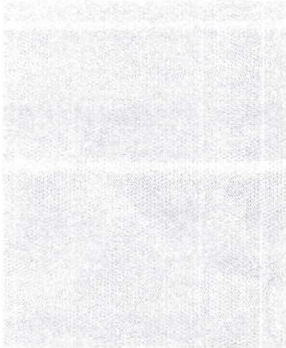

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