

# Why Apple's \$14.5 Billion Tax Fine Is Worse for Shareholders Than it Looks

Apple's \$14.5 billion EU tax fine may take a bigger bite out of the iPhone maker than shareholders are acknowledging, reports *Fortune*.

A European tax commission said Apple more than \$14.5 billion in back taxes and interest that it had avoided paying European governments for years because of a sweetheart deal with Ireland. They said Apple was paying a tax rate of 0.5 percent, when it should have been paying 12.5% under Ireland's tax rules.

Reporter **Stephen Gandel** explains that "the company made \$39 billion in its fiscal 2014, which ended in September and the last year covered by the tax deal. That represents about 20% of the profits it made during the 11-year period covered by the \$14.5 billion tax fine. So if Apple had paid its full taxes, it would have owed nearly \$3 billion in extra taxes."

If Apple has to pay those taxes in the future, the company's earnings could drop to \$41 billion. That would translate into a market cap of \$482 million, or roughly \$88 billion less than where the stock trades today, Gandel writes.

**Read the article.**