Tax professor hits out at Eva Joly's IKEA report: Missing the target

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Speaking about IKEA being reported to the EU, Chartered Global Tax Practitioner, Dr. Knut Olsen says: "I'm inclined to say that it's not certain that IKEA has been evading anything at all".

Earlier on during the week the EU's Vice-President of the European Parliament's Special Committee on Tax, Eva Joly, hit out against IKEA along with several other MEPs belonging to the Green parliamentary group. They believe that the furniture giant has been evading the payment of one billion Euros in tax in the EU since 2009.

Speaking to DN, Ms. Joly has said: "We have asked the EU’s Competition Commissioner to implement an investigation into IKEA's tax optimisation strategy. The trail peters out in Lichtenstein where the accounts of one foundation have not been released for publication and consequently we are unable to see the cash flow."

The report behind this announcement has caused tax professor Knut Olsen to react.

Dr. Olsen believes that it contains a certain amount of circumstantial evidence, speculation, assumptions and guesswork. The report also states that the matter is surrounded by a considerable amount of uncertainty.

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"Even so, they have hit out hard in the belief that IKEA is guilty of tax evasion. In my opinion this report is a dubious way of accusing someone of tax evasion," says Dr. Olsen to Nettavisen.no.

He is a US Chartered Global Tax Practioner with a Ph.D in international tax legislation. He believes that the report has been written so that ordinary readers will think that IKEA has deliberately been evading tax - even though this might not necessarily be the case.

"If you understand tax law, you cannot be sure that tax evasion has been committed and that the circumstantial evidence is correct. The report has been based on information, which is available in the public domain, i.e. probably about 10% of the information. Having worked as a tax auditor for many years I think that this is very strange way to investigate," says Dr. Olsen.

**Not necessarily illegal**

"IKEA and many other large companies minimise their tax and this is not necessarily illegal. Global tax planning is legal, provided that the companies in question are financially sound and have good business economic reasons for undertaking establishments. Setting up in a tax haven is not illegal either, but it is illegal to keep it secret and fail to report domestic income and pay tax on it," says Dr. Olsen.

"How can she hit out so hard and claim that IKEA has evaded over one billion in tax when she has said that they don't know if it is illegal? That is quite strange."

Dr. Olsen says that there has been a growing trend towards competition between different countries to offer the most advantageous tax benefits and that this is something which has been accepted on the international scene.

"Things have gone so far that companies are starting to realise that they can exploit this situation. However, I think that it's a bit harsh to say that this amounts to tax evasion in particular since the report lack proper evidence. It is actually the authorities who should bear the brunt since they are the ones who have drawn up regulations that are full of loopholes."

**Not certain that IKEA has evaded anything at all**

"I'm inclined to say that it's not certain that IKEA has been evading anything at all, but I do not know all the details. However, I would not have put my name to this report, which has been sent to such an important body as the EU or other authorities because I consider it to be missing the target."

He thinks that the report is a dubious way of accusing someone of evading tax.

Dr. Olsen concludes:

"If I had been on the board of IKEA I would have recommended that they should report the Green Party to the police, and possibly consider submitting a claim for compensation, since they are making serious accusations about tax evasion amounting to billions of Euros without being able to provide documentary proof that anything illegal has occurred and without being
aware of all the facts. They are simply presenting a certain amount of circumstantial
evidence, mistaken assumptions, misunderstandings and speculation."

Dr. Olsen is not defending tax evasion and he supports many of the proposals contained in
the investigation report - for example, a greater degree of transparency is required, tax
evasion should be combated, secret tax agreements between countries and companies should
be avoided, some loopholes should be tightened up and the tax systems within the EU should
be harmonised.