

Nominated for the Public Eye Global Award 2007
by **SOMO (Stichting Onderzoek Multinationale Ondernemingen), Netherlands**

IKEA Group

Headquarters:	Leiden, Netherlands
Branch of trade:	Furniture and Furnishing
Turnover / Profit:	€ 17.3 billion / € 553 million (2005)
CEO:	Anders Dahlvig
Owned by:	Stichting Ingka Foundation (Ingka Holding B.V.)
Employees:	104,000 in 44 countries (2006)

Summary

We've all heard of Ikea. But what exactly is it? A Swedish corporation? No, it is actually a tangled network of companies, holdings and foundations, owned by a Dutch foundation. The Stichting Ingka Foundation (SIF), formed in 1982 by Ikea founder Ingvar Kamprad, owns the Ingka Holding Group, which operates 210 of the 240 Ikea furniture stores worldwide. According to "The Economist" magazine, SIF has a current value of US \$36 billion and is therefore the richest foundation in the world.

But instead of promoting, for example, U.N. programs, this foundation helps Kamprad avoid taxes: As an official nonprofit organization, SIF does not pay taxes in the Netherlands. Ikea also uses all legal means to minimize its taxes. And yet the payment of taxes is recognized as a central element of social corporate responsibility.

Irresponsible corporate behaviour

According to "Spiegel Online", Ingvar Kamprad is the richest man in the world. Due to the rise of the euro against the dollar, he dislodged Bill Gates from the top spot in 2006. Both Ikea and Kamprad dispute not only that he is the richest man, but also that he is still the owner of Ikea. Nevertheless, Kamprad's assets amount to US \$28 billion as estimated by "Forbes" magazine, and according to "Bilanz" magazine, he is by far the richest resident of Switzerland.

Although Kamprad officially transferred ownership of Ikea to the Stichting Ingka Foundation in 1982 and now remains only "Senior Advisor", he still controls SIF via the five-person foundation board, on which Kamprad's wife and his Swiss attorney also sit. Officially, the SIF's billions are intended for "innovations in architecture and interior design". But this nonprofit mission statement is simply fraudulent labeling; the foundation serves primarily for legal and systematic tax avoidance. In actual fact, SIF makes only minimal disbursements. As far as can be determined, US \$1.7 million was paid out in 2005, to the Institute of Technology in Lund, where architecture is taught.

The problem for the Kamprad family is that it cannot simply withdraw funds from the foundation. An organizational structure, far more complicated than the trickiest “Billy” bookcase, solves the problem: The Dutch firm Inter Ikea Systems (IIS) owns the rights to Ikea’s concepts, product designs and the Ikea brand. As franchiser it receives 3% of global sales from all Ikea shops (€ 631 million in 2004). Who exactly owns IIS is not known; it belongs to a certain Inter Ikea Holding, registered in Luxembourg, which itself owns a corporation of the same name based in the Netherlands Antilles, which for its part is run through a “trust company” in Curaçao. Such organizational structures, that combine various legal forms with multiple tax havens - some with bad reputations - are hallmarks of dubious structures rather than of a family-friendly corporation. “The Economist” ventures that Inter Ikea Holding is “almost certainly” controlled by the Kamprad family.

With profits of € 553 million in 2004, Inter Ikea Holding, together with another Luxembourg Holding, paid a total of only €19 million in taxes. Kamprad has lived in canton Vaud for years, where he benefits from lump-sum taxation, offered by Switzerland to a few thousand foreigners. The richest man in the world pays 200,000 Swiss francs in taxes annually. Nothing is impossible with this “Swedish” furniture store.

Consequences

Ikea is an extreme example of the growing practice of corporate tax evasion, resulting in important public service and infrastructure projects that go unfunded. But even global corporations benefit from state-financed services: Without qualified employees, public transportation and safety (for Mr. Kamprad, for example), even a furniture store capable of the impossible cannot function.

Current status and demands

SOMO demands that corporate structures and transactions must not have tax evasion as their primary objective. Ikea’s tangled network is unlawful and should be dismantled. Furthermore, a responsible corporation states clearly who profits and where those profits are realized and taxed. Ikea lacks transparency and publishes virtually no figures, except of course for the prices in the Ikea catalogue.

Further Information:

- www.economist.com/business/displaystory.cfm?story_id=6919139
- www.evb.ch/en/f25000066.html
- www.somo.nl