



Nomination for the Public Eye Award 2005  
in the category:

**T A X E S**

Nomination by: Attac Germany

[www.evb.ch/publiceyeondavos.htm](http://www.evb.ch/publiceyeondavos.htm)

## Vodafone Group Plc

Headquarters: Newbury (Great Britain), equity interests in 26 countries and partner networks in 13 countries worldwide, German subsidiary company is Vodafone D2 GmbH with headquarters in Düsseldorf

Turnover / Net profit: 2003/2004: £33.6 billion (turnover) / £10.75 billion (operative profit)

Branch of trade: the largest mobile telecommunications network company worldwide with approximately 147 billion customers (September 2004)

No. of employees: 2004: 60,109

CEO: Arun Sarin

Member to the WEF: YES (in January 2004)

### Outline

*Vodafone intends to amortise a net loss of €50 billion resulting from the takeover of the German telecommunication company Mannesmann. This virtual loss would allow Vodafone Germany considerable reductions in tax payments over years. Vodafone seems to have manipulated the price of the Mannesmann shares several times. German citizens protest against Vodafone's tax evading plan.*

### General Information on the Case

In June 2004, Vodafone announced that it was planning to amortise €50 billion as "partial valuation adjustment". According to the company, this corresponds to the book loss resulting from the takeover the German Mannesmann corporate group. With this virtual loss, the highly profitable German subsidiary of the Vodafone Group would be saving tax payments of estimated €20 billions. The huge takeover costs are thus transferred to the German public.

The takeover battle was going on for months between Vodafone and Mannesmann. In March 2000, the Mannesmann shares reached a peak price of €353. At the time of the takeover by Vodafone through share exchange, Mannesmann was worth on paper €180 billion. In December 2000, Vodafone Deutschland GmbH, established only a short time before, acquired the share package, which had been deposited at a Luxembourg subsidiary, for €309 per share i.e. a total of €147 billion. At the end of March 2002, Vodafone assessed the value of the shares at €200 per share only (or for the entire share package, approximately €100 billion). Vodafone now wants to deduct from taxes the resulting difference of €50 billion.

## **Characteristics of irresponsible corporate behaviour**

- Moneymaking at the expense of the state
- Manipulation: there are hints that Vodafone manipulated the Mannesmann share price:
  - First, Vodafone bulled the market of the share in order to deter competing companies from buying Mannesmann and to encourage Mannesmann shareholders to sell their shares.
  - Second, the Luxembourg subsidiary of the German Vodafone sold the shares for a price considered to have been too high in comparison to similar share prices.
  - Third, the decrease in value of €50 billion at the transfer of the shares from Luxembourg to Germany seems to be highly overrated. Given that the Mannesmann shares are no longer traded at the stock exchange, Vodafone may define the value of the share packet rather arbitrarily.
- Hypocrisy: Vodafone likes to stress its social investment and its visions and values. At the same time, the company through tax ruses causes a massive decrease in tax revenue.

## **Consequences**

The more the tax system is undermined, the more dependent citizens and politicians become on the goodwill of corporate groups through sponsoring. In 2003, the city of Düsseldorf, headquarters of the German Vodafone subsidiary, had to cut its public spending. In addition, the city was forced to privatize several public institutions and agree to public private partnerships (i.e. partnerships between state and economy). Vodafone's savings in taxes will affect Düsseldorf even more.

## **Current status and demands**

In a campaign organised by Attac Germany, more than 10,000 people sent postcards to Vodafone. They called upon the corporate group to revoke its tax avoidance plan. In addition, more than 30,000 e-mail messages were sent via the Attac homepage to Vodafone. Many people cancelled their contracts with Vodafone or announced to do so if the company did not pay its taxes.

## **Link to the details of the nomination:[www.evb.ch/nominations.htm](http://www.evb.ch/nominations.htm)**

Further information and links:

- [www.attac.de/vodaklau/](http://www.attac.de/vodaklau/)
- „Der Fall Vodafone und die Mindestgewinnbesteuerung“, ed. By DGB-Bundesvorstand, Abt. Wirtschaftspolitik, Nr. 11/2004, [www.berlin-brandenburg.dgb.de/filemanager/download/524/Wipo\\_Schnelldienst\\_2004\\_11.pdf](http://www.berlin-brandenburg.dgb.de/filemanager/download/524/Wipo_Schnelldienst_2004_11.pdf)
- Rudolf Hickel: „Vodafone – Ein Beispiel für skrupellose Abzocke durch Steuervermeidung“, <http://www.attac.de/vodaklau/material/vodaklau-prof.dr.hickel.rtf>
- K. Smithson: „Voda money“, [www.cellular-news.com/forum/viewthread.php?tid=4505](http://www.cellular-news.com/forum/viewthread.php?tid=4505)
- [www.taxjustice.net](http://www.taxjustice.net)