IBM Japan to appeal tax assessment

The Associated Press

IBM's Japan unit said Thursday it will fight an assessment by tax authorities, who reportedly investigated the company for failing to declare more than $4.4 billion in income.

IBM Japan could be ordered to pay the Tokyo Regional Taxation Bureau more than 30 billion yen ($332 million) in back taxes, according to the Asahi newspaper.

The bureau suspects IBM Japan of underreporting 400 billion yen in taxable income in 2008 through an accounting scheme that allows a parent company and its subsidiaries to file taxes as a single entity, Asahi said without citing sources.

IBM Japan allegedly traded its own shares with its Japanese parent company IBM AP Holdings, with the resulting loss offsetting profits by the Tokyo-based company. IBM AP Holdings is owned by IBM Corp., based in Armonk, New York.

IBM Japan denied any tax evasion and said it has paid legally required taxes in full. It plans to file an appeal of the assessment, said spokesman Kazuhiko Suyama, without elaborating.

"All IBM transactions adhered to Japanese tax law," he said.

Manabu Jojima, a spokesman for the Tokyo tax bureau, said he could not confirm the IBM investigation or comment on individual cases.

IBM Japan's major businesses include computer software, communication systems and information technology. Established in 1937, the company employs about 16,000 people in 100 locations throughout Japan.

In 2008 it booked net profit of 96.8 billion yen ($1 billion) on sales of 1.1 trillion yen.

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