

Mr. Petr Jezeek MEP  
European Parliament  
B-1047 Brussels  
Belgium

5<sup>th</sup> October 2018

Dear Mr. Jezeek

Thank you for your letter dated 6 September 2018. In reply, I refer to the main issues raised, rather than address all points of detail, some of which have been discussed previously when I appeared at Tax Committee hearings, including my appearance before your Committee on 21 June 2018.

The recent changes to our corporate structure were not driven by a desire to limit disclosure, the availability of information or oversight by tax authorities or regulators. They were driven by a business re-organization announced in 2015 - before the Brexit referendum took place in June 2016. More specifically, these changes were made in order to align McDonald's international holding company structure with the new structure of the business which groups together countries around the world based on common market characteristics rather than on the basis of geographical proximity.

We now have a unified structure located in the United Kingdom with responsibility for licensing the majority of the company's global intellectual property rights outside the United States. This new international holding company structure is located in the UK. It comprises a mix of UK companies incorporated in the UK and US companies which will continue to be incorporated in the US. Those US companies are also tax resident in the UK.

The new structure supports the company's growth plans by streamlining decision making, reducing expenses, increasing cash management flexibility and supporting its refranchising initiative.

McDonald's selected the UK for the location of its new international holding structure because of the existing significant number of staff based in London working on our international business, language, and connections to other markets. There is a clear business rationale in matching our corporate structure to our new functional structure.

The choice of the UK was not a result of or based on the Brexit referendum result and, as noted above, the re-organization of the business was announced prior to the referendum.

Delaware is a jurisdiction used extensively by US companies. It has a very well established and well-respected court system for corporate issues, which produces an extensive database of corporate case law. In addition, Delaware corporate law provides significant flexibility with respect to organizing and managing a company. We believe that over 50% of publicly traded corporations in the United States are incorporated in Delaware.

The very limited number of corporate entities referred to in the so-called Paradise jurisdictions were set up for various business reasons. These entities are not connected to our business in Europe and no royalties from our operations in Europe transit through or via them. As a result, they do not influence our European business and operations.

We are subject to local laws and regulations in all the countries and jurisdictions where we do business, including the UK and the state of Delaware. There is no attempt to minimize oversight. Like

all major companies, we liaise closely with the tax authorities in these countries and jurisdictions and provide them with the information that they require. We require our franchisees to abide by applicable tax laws and rules.

We make the public and other filings that are required. This means that a significant amount of information becomes available to anyone who wishes to access it. In the UK, this includes the annual filing of statutory accounts.

You will also have noted that I appeared before 3 separate Tax Committees of the European Parliament to answer questions and provide facts that may assist the Committees.

To be clear, McDonald's has not asked for any concessions on the tax it pays on profits under the new corporate structure. Specifically on the UK, we have not received any special deals or incentives from the UK Government and we are subject to normal taxation at the UK tax rate. McDonald's has not benefited from new tax rulings from UK authorities.

On the amount of taxes paid, from 2013 to 2017 McDonald's UK (i.e. excluding franchisees) paid over £250m in corporation tax alone. We estimate that, through business rates, employer national insurance and corporation tax, the total contribution by McDonald's UK to the UK economy over this 5 year period was in excess of £500m.

Overall, McDonald's pays, and expects to pay, significant taxes in the countries where we do business. In the Member States of the European Union, from 2013 to 2017, McDonald's (excluding our franchisees) paid more than \$3 billion in corporate taxes with an average tax rate approaching 29%. We also pay social, real estate and other taxes.

As I stated when we met in June, with our franchisees we have over 8,000 restaurants in Europe and employ around 425,000 people. We intend to grow our business in Europe. In doing so, we look forward to continuing to pay the taxes that are owed in every country where we do business, creating approximately 50,000 new jobs over the next 4 years and contributing to the European economy.

Sincerely

Irene Yates  
Vice President – Corporate Tax