BROOKFIELD AVIATION INTERNATIONAL ALLEGED TO BE A "LETTERBOX COMPANY" CONTROLLED BY RYANAIR

News / Airlines

British police and German investigators are enquiring into Brookfield Aviation International, which is alleged to be a "letterbox company" controlled by Ryanair. A letterbox company is one that establishes its domicile in a tax friendly country with only a mailing address while carrying out its activities across other countries with the intention of saving taxes.

Ryanair's use of the services of Brookfield, which claims to be the world's leading and largest aviation resources leasing company, has come under the spotlight and become the focus of an international investigation over an alleged tax evasion.

German Prosecution

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In 2010, after receiving an anonymous report about Brookfield being a "letterbox company" controlled by Ryanair, German prosecutors began their investigation. In 2011 they informed UK authorities that Brookfield's relationship with Ryanair's pilots was "pseudo self-employment, even under British law".

It was alleged that Brookfield was evading taxes by withholding income tax and social security payments for its German aircrew, both of which are subject to five years of imprisonment in Germany, if found guilty.

German prosecutors claim that "quite contrary to Ryanair's statements" their aircrews were not independent sub-contractors for tax purposes but were in fact employees of Brookfield who were leased to the budget carrier.

A court in Koblenz has accused James Duffield and David George, owners and directors at Brookfield of "an especially serious case of tax evasion". Wolfgang Bohnen, a prosecutor in Koblenz said, "These companies mainly serve to conceal an employment relationship with Ryanair".

Brookfield processes the monthly pay of 1,600 pilots and about 300 Irish companies administered by trustees, according to German officials. While this aviation resources leasing company posted an annual turnover of 119 million pounds (EUR165 million, US$181 million) in November, Ryanair expects to rake in more than 730 million pounds in profits in 2016.

HM Revenue & Customs Inquiry

While the British police and German investigators have already done a search of Brookfield's Surrey headquarters, HM Revenue & Customs is carrying out a separate inquiry into the aviation resources leasing company and has issued "protective assessments" for £47m with regards to income tax and national insurance contributions between 2010 and 2013.

HMRC told Brookfield that it failed to believe that pilots "had any genuine right of substitution", meaning it was not possible for Brookfield to appoint a substitute pilot with an airline and pay for that pilot. The non-ministerial department that is responsible for the collection of taxes said that Brookfield should have paid PAYE tax and National Insurance on the pilots' payments.

Ryanair's Response

A spokesman for Ryanair denied the allegation that Brookfield was a "letterbox company" controlled by the airline and said "Brookfield is one of a number of contractor agencies which Ryanair and other companies use. We are aware of the investigation and are assisting the German authorities. Ryanair requires all of its contractors to comply fully with national regulations and authorities."

14 DECEMBER 2015

SOURCE: IBTIMES
ARTICLE LINK:
https://mfa.50skyshades.com/news/airlines/brookfield-aviation-international-alleged-to-be-a-letterbox-company-controlled-by-ryanair

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