

Tax evasion in the sale and purchase of the ownership of Coca-Cola!



Cycle of the buying and selling of 76% shares of Bottlers Nepal ran among Kamani Group of India, Fraser and Neave Company (F&N) of Singapore, Gutsche family of South Africa and CocaCola Atlanta.

By Gajendra Budhathoki, (Taksar Economic Magazine, July-Aug 2021)

Though being a Multinational company, the Bottlers Nepal has convicted fraud by sharing information about the sale of its ownership in the company to the Regulating body of Nepal different from the official information that has been found.

Tax evasion in the sale and purchase of the ownership of Coca-Cola!

In the 1960s, Nepal had just been opened for foreigners. Prince British educated Basundhara Shah was interested in foreign foods and culture. He wanted to produce foreigners' beverage Coca-Cola in

Nepal and in 1973 Coca-Cola and other beverages producing company the Bottlers Nepal Pvt.Ltd. was registered in Nepal. Then,for the company, the founders were Himalya Shah, Helen Shah and persons from Royal Palace. Though the Company was formally registered, production was not started. On the coronation of King Birendra in 1975, 100 cases (each case contained 25 bottles) of Coca-Cola were brought from India. Almost since one year before the coronation, getting permission from the Royal Palace, Mr N.M. Singh had been importing Coca-Cola in Nepal.

One hand in Nepal demand of Coca-Cola had been increasing once it went 150000 bottles annually another hand in India led Janta government immediately after the emergency in 1977 issued an order to close 26 bottling plants. At that time ,in India, Coca-Cola's bottling and sale authority Steel City Beverage , Jamsedpur sought an alternative way. Company's operator Nakul D Kamani came to Nepal and developed relations with Royal Palace through then alive NM Singh. At that time Kamani was only 26 years and a smart young businessman.

After the move by the Palace,on 26 March 1979, Kamani negotiated to invest in the Bottlers Nepal with then Managing Director Princess Helen Shah. "Even countrymen were not allowed to run an industry without permission of the Palace as it was the matter of foreign investment. So there would have been no question about how the Bottlers' Nepal registered after allotting shares with the Palace." said a former administrator of Nepal.

Then not only the Kamani Group had negotiated to help with technical and managerial assistance through the Bottlers Nepal, but also Kamani had invested 10 million Indian currency as according to exchange rate 13.5 million Nepali currency. After the investment deal, the Steel City Beverage had brought filters,mixers from western Germany and other equipment were bought at second hand rate from closed bottling companies from New Delhi.

After the one year of the negation, the Bottlers' Nepal situated at Balaju Kathmandu, production of Coca-Cola started at 80 bottles per minute. At that time the market price of CocaCola per bottle was

one rupee and forty paisa and 24 bottles' per case was 25 rupees in Nepali currency.

The very former administrator declined to be mentioned and said" At that moment from the Coca-Cola company a higher authority was Bijay Dhariwal named person to deal with the government of Nepal and thePalace. Time and again the very Dhariwal went to the Palace with gifts."

Transformation into Limited Company

In 1986, with a major share of the Bottlers' Nepal the Bottlers' Tarai was established. In 1993, Jaypuriya Group bought the parent company the Steel City Beverage founded by Nakul D, since then the ownership of shares of the Bottlers' Nepal also had gone to Singapore based Coca-Cola bottling plant, and it was sold to Freaser and Neave (F&N) Coca-Cola PTE Ltd. in July 1999, The Coca-Cola Company, USA has acquired from Fraser and Neave Limited its 75 percent ownership interest in F&N Coca-Cola Pte Limited (F&N Coca-Cola). Prior to the acquisition, Coca-Cola Company, USA Company held a 25 percent equity interest in F&N Coca-Cola. Acquisition of Fraser and Neave Limited's 75 percent stake gave Coca-Cola Company, USA Company full ownership of F&N Coca-Cola. F&N Coca-Cola holds a majority ownership in bottling operations in Nepal.

Singapore based company handled management of the company of Nepal only upto 2000. Since 2000 Coca-Cola Atlanta directly owned the Bottlers' Nepal.

In 2007, this company was turned into a Public Limited Company and registered in the Nepal Stock Exchange. In 2008 Khetan Group bought 22 percent shares of Bottlers Nepal Ltd. Before 2007 Coca-Cola Company or its fransize held nearly 100 percent shares of Bottlers Nepal .

According to the Nepal Stock Exchange the structure of the company is seen as 76.16% shares of CocaCola to CocaCola South West Holdings Limited, 22% shares to Gorkha Brewery Pvt.Ltd and 1.94 % shares

to the general public of Nepal. In its subsidiary company Bottlers' Terai 90.78% of the Bottlers Nepal and 9.22 % of public share. Likewise, the business institution of Coca-Cola's Troyka Traders' 100% shares to Bottlers Nepal is seen.

The sale and purchase of shares abroad

In July 1999, our Company acquired from Fraser and Neave Limited its 75 percent ownership interest in F&N Coca-Cola Pte Limited (F&N Coca-Cola). Prior to the acquisition, our Company held a 25 percent equity interest in F&N Coca-Cola. Acquisition of Fraser and Neave Limited's 75 percent stake gave our Company full ownership of F&N Coca-Cola. F&N Coca-Cola holds a majority ownership in bottling operations in Brunei, Cambodia, Nepal, Pakistan, Sri Lanka, Singapore and Vietnam.

Being registered in the department of industry under company act of Nepal and enlisted in Nepal Stock Exchange, bottling plant of CocaCola, it is seen that since a long period of time in past it has been selling its ownership out of Nepal and it has not paying required tax and other responsibilities as per legal provision of Nepal.

Indian investment Group Kamai Familyhad sold in 1993,the majority ownership shares of the Bottlers' Nepal to Singaporean company Fraser and Neave Limited and in 1999, after buying 75% shares of Fraser and Neave the Coca-Cola Company held total ownership holds a majority ownership in bottling operations in Brunei, Cambodia, Nepal, Pakistan, Sri Lanka, Singapore and Vietnam, under its control.

In 2004, South Africa's Gutsche Family became interested in Cokes; botalling business in Asia . Already they have a bottling business in South Africa in the name of Coca-cola South West Holding Ltd (Sabco). After a deal with Coca-Cola Company they registered in Dubai's Jables all free zone in 2004, February 24, establishing an offshore company named as CocaCola Sabco (Asia) Ltd .

The Gutsche Family of South Africa bought the

ownership of Vietnam, Cambodia, including shares of Nepal paying \$29 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Coca-Cola Company and Subsidiaries

NOTE 2: BOTTLING INVESTMENTS (Continued)

During 2004, our Company sold our bottling operations in Vietnam, Cambodia, Sri Lanka and Nepal to Coca-Cola Sabco (Pty) Ltd. ("Sabco") for a total consideration of \$29 million. In addition, Sabco assumed certain debts of these bottling operations. The proceeds from the sale of these bottlers were approximately equal to the carrying value of the investment.

Effective May 6, 2003, one of our Company's equity method investees, Coca-Cola FEMSA consummated a merger with another of the Company's equity method investees, Panamerican Beverages, Inc. ("Panamco"). Our Company received new Coca-Cola FEMSA shares in exchange for all Panamco shares previously held by the Company. Our Company's ownership interest in Coca-Cola FEMSA increased from 30 percent to approximately 40 percent as a result of this merger. This exchange of shares was treated as a nonmonetary exchange of similar productive assets, and no gain was recorded by our Company as a result of this merger.

In connection with the merger, Coca-Cola FEMSA management initiated steps to streamline and integrate operations. This process included the closing of various distribution centers and manufacturing plants. Furthermore, due to the challenging economic conditions and an uncertain political situation in Venezuela, certain intangible assets were determined to be impaired and written down to their fair market value. During 2003, our Company recorded a noncash charge of \$102 million primarily related to our proportionate share of these matters. This charge is included in the consolidated statement of income line: from equity income.

After one year of selling 76 percent shares of the Coca-Cola USA sold to the Coca-Cola Sabco PTE Ltd in \$14 million, Bottlers Nepal informed the central bank of Nepal, Nepal Rastra Bank in 2015 for record of ownership changes .

The issue capital gain tax of this ownership transaction had been settled allowing the company to pay a minimal sum of amount by the tax exemption commission led by Lumbdhvaj Mahat. At that time Chudamani Sharma associated commission deducted 435 million rupees from the liable accumulated tax 665.081691 million rupees and allowed to pay 230 million rupees.

Again Share Sold out of Nepal

In 2014, the Company began implementing a new beverage partnership model in North America. During the year ended December 31, 2014, we refashioned transactions that were previously managed by CCR to certain of our unconsolidated bottling partners. The impact of this refashioning has been included as a structural change in our analysis of operating results for the year ended December 31, 2014. In addition, for ease of comparison and to ensure beverage products sold in the refashioned territories, we have estimated the unit case volume and associated concentrate volume from the base year when calculating 2014 versus 2013 volume growth rates on a consolidated basis as well as for the North America segment. During the year ended December 31, 2014, the Company made a decision to change our process of buying and selling recyclable materials in North America. The impact of these changes has also been included as a structural change in our analysis of operating results. Refer to the headings "Beverage Volume" and "Net Operating Revenues" below. Refer to Note 2 of Notes to Consolidated Financial Statements.

During the year ended December 31, 2014, the Company transferred its Russian juice operations to an existing joint venture with an unconsolidated bottling partner. This transfer is included as a structural change in our analysis of operating results for our Bottling Investments segment for the year ended December 31, 2014. In addition, we have estimated the unit case volume and associated concentrate volume from the base year when calculating 2014 versus 2013 volume growth rates as well as for our Eurasia and Africa and Bottling Investments segments related to certain brands owned by the Russian juice company that have been discontinued as a result of this transaction. Refer to the heading "Beverage Volume" and "Net Operating Revenues" below.

In January 2014, the Venezuelan government enacted a new law ("Fair Price Law") that imposes limits on profit margins earned in the country, which limited the amount of revenue the Company was able to recognize in 2014 as compared to 2013. The impact of the Fair Price Law has been included as a structural change in our analysis of operating results for our Latin America segment for the year ended December 31, 2014. Refer to the heading "Net Operating Revenues" below.

The Company acquired bottling operations in Vietnam and Cambodia in February 2013, bottling operations in Guatemala in June 2012, a majority interest in bottling operations in Myanmar in June 2013, and a majority interest in bottling operations in Nepal and Sri Lanka in October 2014. In January 2013, the Company sold a majority interest in our previously consolidated bottling operations in the Philippines ("Philippine bottling operations"), and in July 2013 the Company deconsolidated our

bottling operations in Brazil ("Brazilian bottling operations") as a result of their combination with an independent bottling partner. Accordingly, the impact to net operating revenues related to these acquisitions and dispositions was included as a structural change in our analysis of changes to net operating revenues for our Bottling Investments segment. Refer to the heading "Net Operating Revenues" below.

The Company sells concentrates and syrups to both consolidated and unconsolidated bottling partners. The ownership structure of our bottling partners impacts the timing of recognizing concentrate

In 2004, South Africa's Gutsche Family exited from Asian bottling business, Gutsche family of sold out selling its shares of the company. According to the official report, in October 2014, Coca-Cola Atlanta

had bought the majority of shares of Nepal and Sri Lanka. But, about this deal neither Coca-Cola nor the Bottlers Nepal Ltd. shared any official information to regulatory bodies of Nepal.

Before this deal, major shareholder Khetan Group of Nepal had sold its 22 percent shares to Gorkha Brewery in 2011. The Khetan Group sold 428,805 units of shares worth Rs 725.1 million on July 18, 2011. Gorkha Brewery has paid Rs 1,691 per unit of the shares. This deal was sealed in Nepal through Nepal Stock Exchange and liable capital gains tax was paid. Now Gorkha Brewery holds 22 % shares of Bottlers Nepal. Carlsberg International holds 90% shares of Gorkha Brewery.

Most of the shares of the company or 76.16% of shares were sold out of Nepal and noticing unpaid capital gains tax and other tax and fees liable, on 8 December 2020 the Revenue Investigation Department raid parent company Coca-Cola's Nepal's bottling plant Bottlers' Nepal Ltd and seized important documents, computers' hard disk, laptop which are under investigation.

Fraud in documentation

It is found that though, being a multinational company, the Bottlers Nepal has convicted fraud by giving different information about the sale and purchase of the ownership to the officials of the regulatory body of Nepal from the formal information.

According to the report of Nepal Rastra Bank, the Bottlers Nepal Ltd, on 10 August 2017, had written letter to mention the foreign investment in the account as Bottlers' ownership holder Singaporean company F&N (Fraser and Neave) Coca-Cola PTE Ltd's share sold to Dubai based Coca-Cola Sabco Asia Ltd.

On 21 April 2018, the Office of the Company Registrar sought more information from Nepal Rastra Bank but earlier Nepal Rastra Bank had written a letter to the Office of the Company Registrar to share additional required information about this deal.

Barred taking dividend back

Noticing the game of taking advantage cunningly by the sale and purchase of 76.17% of share in Bottlers Nepal of Coca-Cola, South West Holding Ltd (Sabco) and again to Coca-Cola since 2014, the central bank of Nepal, Nepal Rastra Bank, has barred taking dividend back.

Since the Bottlers Nepal failed to submit additional documents of the sale and purchase sought by both regulatory bodies Nepal Rastra Bank has barred taking dividend back from here in fiscal year 2017/18.

Share Market was also deceived

After the reshuffle of the ownership of share the Bottlers Nepal has wrote a letter to the Nepal Stock Exchange that Dubai based foreign investor company Coca-Cola Sabco (Asia) Ltd has changed its name Coca-Cola SouthWest Holdings Ltd so mention this in the record , where as it is required to submit the whole information must be shared about the major share structure and reshuffle of major investor by a public limited company registered in Nepal Stock Exchange.

Most of the shares of the company were sold in 2015, since then none of the annual reports has mentioned it and not it was clarified in any general assembly held.



SHAREHOLDER'S RESOLUTION OF Coca-Cola Sabco (Aisa) Limited Registration No. OF146 (OFFSHORE COMPANY) Passed at a meeting held on 18th June, 2015 Regarding Change in Offshore Company's Name

According to the Offshore Companies Regulations 2003, we, being the owner of the above-mentioned Offshore Company, hereby declare that, subject to the approval of the Jebel Ali Free Zone Authority, the above mentioned name be changed to the following new name:

New Name

COCA-COLA SOUTHWEST ASIA HOLDINGS LIMITED

With effect from the date of the Certificate of Change of Name issued by the Jebel Ali Free Zone Authority and except all previous liabilities related to the old name of the above-mentioned Offshore Company.

For: EUROPEAN REFRESHMENTS
MR. TAREK ABDELRHMAN
AUTHORISED SIGNATORY



For official use and Offshore Companies

Registrar Approval

Name of the Registrar:

Sign:

Date: / /2015

Ncell scam may be repeated

In November 2020, the Revenue Investigation Department raided Bottlers Nepal and took documents under his control but since the transfer of director general the process of investigation has been in slow pace.

In the statements taking from the high ranking managerial staffs of the Bottlers Nepal by the Department they have said without producing any document that the price what was in 2004 at the same price the shares were sold at 14 million US dollar where as in 2014 the year of share of ownership the per share of the Bottlers Nepal in the Stock Exchange was valued average 1560 Nepal rupees.

Since then the company has borrowed 6 billion rupees from different banks of Nepal including Standard Chartered Bank, NBIL for the expansion of the plant. Revenue Officers have prepared to calculate capital gains tax based on the valuation of the Net Asset of the company.

According to the annual report of the Bottlers NEPAL, its authorized capital 430 million and paid up capital is only equal to 194.8 and in fiscal year 2019/20 company's Net Asset is equal to 111 billion 520 million rupees.

Foreigner investors of the company have planned to evade capital gains tax in the transaction of the ownership as far as possible if not repeat the Ncell scam by devaluation of share price, hiding responsibility of the engaged company Gutze family or CocaCola Atlanta and put the burden of tax on Bottlers Nepal.

“We honor the legal binding”

Taksar Economic Magazine has sent an email to the Bottlers Nepal and parent company Coca-Cola for information about the sale and purchase of share

ownership of Coca-Cola held abroad. The concerned companies didn't share any information but Advertisement company Prizma Advertising has replied to the email.

On the behalf of Prizma Advertising Sneha Shrestha' replied in an email said- “Bottlers Nepal Ltd. respects and holds every rule and law of the land in the highest regard. In addition to the company’s high ethical standards we also have robust compliance programs and processes that ensure zero-tolerance towards any deviation or nonconformity. We are committed to cooperate with the relevant authorities in their investigations as we await the further details of this issues.”

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