



Tax Policy and Statistics Division OECD / CTPA  
By email to: [TFDE@oecd.org](mailto:TFDE@oecd.org)

Hoofddorp, 6 March 2019

Dear Sir/Madam,

### **Comments on the Public Consultation Document Addressing the Tax Challenges of the Digitalisation of the Economy**

Naspers welcomes the opportunity to submit comments on the Public Consultation Document on Addressing the Tax Challenges of the Digitalisation of the Economy released by the OECD on 13 February 2019.

#### **Introduction**

Naspers is a global consumer internet group and one of the largest technology investors in the world. Operating and investing in countries and markets across the world with long-term growth potential, Naspers builds leading companies that empower people and enrich communities. The group operates and partners a number of leading internet businesses across the Americas, Africa, Central and Eastern Europe and Asia in sectors including online classifieds, food delivery, payments, travel, education, health, and social and internet platforms.

Every day, millions of people use the products and services of companies that Naspers has invested in, acquired or built, including Avito, Brainly, BYJU'S, Codecademy, eMAG, Honor, ibibo, iFood, letgo, Media24, Movile, OLX, PayU, SimilarWeb, Swiggy, Takealot, and Udemy. Similarly, hundreds of millions of people have made the platforms of its associates a part of their daily lives: Tencent ([www.tencent.com](http://www.tencent.com); SEHK 00700), Mail.ru ([www.corp.mail.ru](http://www.corp.mail.ru); LSE: MAIL), MakeMyTrip Limited ([www.makemytrip.com](http://www.makemytrip.com); NASDAQ:MMYT) and DeliveryHero ([www.deliveryhero.com](http://www.deliveryhero.com); Xetra: DHER).

Today, Naspers companies and associates help improve the lives of around a fifth of the world's population. Naspers actively searches for new opportunities to partner exceptional entrepreneurs who are using technology to address big societal needs.

Naspers has a primary listing on the Johannesburg Stock Exchange (NPN.SJ) and a secondary listing on the A2X Exchange (NPN.AJ) in South Africa, and has an ADR listing on the London Stock Exchange (LSE: NPSN).

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## Revised profit allocation and nexus rules

### Questions 1 and 2:

It looks like the tax profile of companies is in today's world a function of size and footprint. A key point for Naspers is that we believe that businesses should pay tax locally. Paying taxes in the countries where one operates<sup>1</sup> is an important contribution to local societies and economies. Local taxes should be equally applicable to all companies irrespective whether companies have a global, regional or local footprint. The playing field should be level.

The digitalization of the economy is raising various tax challenges that need to be addressed. Naspers feels it is important to reach consensus on a global basis for the solutions or answers to these challenges.

### Questions 3 and 4:

Creating a level playing field for all businesses, irrespective whether they are global, regional or local should be the goal.

#### *Profit based solution instead of revenue based*

A tax on revenues hurts companies in their quest for profitability. Younger, innovative and smaller companies will most likely be hit harder and limited by a revenue tax in growing. Bigger or global firms will arguably find it easier to pass such a revenue based tax on to customers or users. Competition will be distorted between smaller and larger firms if the tax is based on revenue. We believe that a level playing field will be created if the tax is profit based. A profit based tax will also better address the global concern that profits are leaking to low or no tax territories. Addressing this "low or no tax on profits" challenge by introducing a tax on revenues will (adversely) affect companies who are not abusing the global tax principles and are pure local players who already pay taxes locally.

#### *Applicable for all companies*

A great amount of subjectivity will be involved if the new rules are applicable to certain specific companies or products only. In order to keep things simple we are in favour of applying a solution to all businesses instead of only to a certain subset of highly digitalized businesses. Applying it to some companies or products only will result in unnecessary complexity, for example on definitions, qualification of companies, anti-avoidance measures, threshold etcetera. It will also avoid having to change the rules as and when the digital business models change and new businesses or categories are invented that don't exist currently. It also takes into account the ever increasing impact of the digital economy on what used to be more traditional industries and economies. Applying the new rules to all industries will result in less uncertainty, more stability and greater fairness. Application to all companies also has the benefit of a wider scope in an effort to respond to the broader impact of digitalization on the global economy and address the concerns around base erosion.

Unilateral solutions where individual countries take action, is not a preferred scenario. This will lead to a high risk of double tax, increased uncertainty, complexity, protectionism and additional administrative burdens. A worldwide consensus-based solution is highly preferred to manage aforementioned critical elements, but also expected to be far more effective to accomplish the stated goals.

1) Operates includes all locations where a group has consumers and users but also includes locations where R&D activities happen and from where other support services are being rendered.

## **Global anti-base erosion proposal:**

### Questions 1-5:

Creating a level playing field is a key objective for Naspers. This is not possible as long as it is acceptable for multinational companies to leak profits to no or low tax jurisdictions. Naspers is supportive of a proposal to address these challenges. Reconsidering existing principles such as the arm's length principle may be necessary to fix the erosion of the tax base.

We appreciate the opportunity to comment. Please feel free to contact us should you have any questions or require additional information.

Yours sincerely,  
Myriad International Holdings B.V.

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