



Tax Policy and Statistics Division
Centre for Tax Policy and Administration#
OECD
By email to: taxpublicconsultation@oecd.org

Hoofddorp, 2 December 2019

Comments on the Public Consultation Document titled Global Anti-Base Erosion (GloBE) Proposal – Pillar Two

Dear Sir/Madam,

Naspers Ltd (“Naspers”) and Prosus N.V. (“Prosus”) welcome the opportunity to submit comments on the Public Consultation Document titled Global Anti-Base Erosion (GloBE) Proposal – Pillar Two (“the proposal”), as released by the OECD on 8 November 2019.

Introduction

Naspers and Prosus are global consumer internet groups and amongst the largest technology investors in the world. Prosus came to market in September 2019 through the listing of the international internet assets of Naspers. Prosus directly employs more than 20,000 people globally, with many more employed by its associates. The shares in Prosus are listed on Euronext Amsterdam, with a secondary, inward listing on the Johannesburg Stock Exchange. Naspers has its primary listing on the Johannesburg Stock Exchange and a secondary listing on the A2X Exchange in South Africa, and has an ADR listing on the London Stock Exchange. Naspers owns approximately 74% of the shares in Prosus.

Prosus aims to build leading companies that create value by empowering local people and enriching communities. The group has grown by investing in, acquiring and building leading companies across the Americas, Africa, Central and Eastern Europe and Asia.

Prosus typically concentrates on large consumer trends where it tries to identify changes early, invests in and adapts proven business models. Every day, millions of people use the products and services of companies that Prosus has invested in, acquired or built, including Avito, Brainly, BYJU'S, Codecademy, dott, eMAG, Frontier Car Group, Honor, ibibo, iFood, LazyPay, letgo, meesho, Movile, OLX, PayU, PaySense, SimilarWeb, Swiggy, Tradus 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; SEHK 00700), Mail.ru (www.corp.mail.ru; LSE: MAIL), and DeliveryHero (www.deliveryhero.com; Xetra: DHER).

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

Comments

General comments

The proposal covers a range of topics and poses numerous detailed questions as to (i) the appropriateness of the mechanisms outlined in the proposal and (ii) their practical application. We are of the view that providing our overall views and comments on the proposal would be most meaningful at this stage.

The objective of the proposal is to ensure that profits of businesses that operate internationally are subject to a minimum rate of tax.

As outlined in our comments on the Public Consultation Document titled "Unified Approach – Pillar One" (Pillar One), Naspers and Prosus firmly believe that businesses should pay their taxes locally as this is an important contribution to the societies in which these businesses operate. Paying taxes locally means on the one side paying taxes in all countries where clients, customers and users reside and, on the other side, paying taxes where people and assets are located. We further believe it is critical that the global and local tax playing fields are level, regardless of whether a business is local, regional or global and whether it operates in the digital or more "traditional" economy. All businesses should be subject to the same tax rules in the countries where they operate. This should apply whether companies are based in a specific country or operate there remotely.

It is our view that the objectives of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), the proposals under Pillar One and the current proposal are to address the challenges arising from multinational groups managing their tax affairs such that deductions are claimed in high-tax jurisdictions while profits are accumulated in low or no-tax jurisdictions. It is in this context, for Pillar Two, we suggest aligning as much as possible with existing regulations, such as under Action 3 for controlled foreign companies (CFC), for which the same purpose applies.

Controlled foreign company rules

In the context of the objectives under Pillar One and the potential overlap with CFC rules, it will be important to prevent a further increase of compliance burden and to avoid double taxation.

Complexity

Finally, we perceive the proposal to be complex and doubt that complexity will be helpful in addressing complex challenge and complex legislation (e.g. CFC rules) that is already in place in many countries. We also believe that certain of the suggestions in the proposal may result in an onerous compliance burden in regard to record keeping and the development of systems to apply the rules.

We are in favor of a balanced and simple approach that is targeted at those areas/territories and transactions that are problematic from a base erosion/profit shifting perspective. We suggest exploring whether instead of adding more complexity to the existing tax rules, to expand the scope of either Pillar One or include this under the already existing controlled foreign company rules.

We trust the above comments are helpful and will gladly provide further inputs on future consultations on the proposal.

Kind regards,

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