



Finance and Expenditure Select Committee
Parliament
Wellington
New Zealand

8 February 2018

Dear Chairperson and Committee Members

Thank you for the opportunity to provide a written submission on the *Taxation (Neutralising Base Erosion and Profit Shifting) Bill* ('Bill').

Google provides some of the core digital technology that millions of New Zealanders rely on for trusted information and entertainment, to complete journeys or in the case of small business owners, to create successful companies that can compete globally. Our mission is to organise the world's information and make it universally accessible and useful.

Google has a small presence in New Zealand with a team of around 30 employees. The majority are Auckland based staff providing support for Google's advertising customers. Because of our small footprint we rely on the assistance from the wider Google group to provide services to New Zealanders. Google is part of the Alphabet group of businesses.

We are aware of the discussions about corporate taxation in the digital age both globally and in New Zealand. Google is one of the world's biggest taxpayers, and in accordance with the international tax regime the majority of our tax is paid in the United States where we are headquartered. In 2016 we paid US\$4.67 billion in corporate income tax globally.

Noting the desire of seeing New Zealand-sourced income booked locally, we are pleased to advise the Committee that Google intends to shift to a new operating model in New Zealand. This will increase transparency on the revenue generated by our business in New Zealand.

New Zealand is an important country for Google. We work closely with local businesses and communities to help them make the most of our tools:

- Search: New Zealanders make more than 10 billion searches on Google every year, which is estimated to save them over 30 minutes a day.¹
- Maps: 3.5 million people use Google Maps every year. Improved navigation using Google Maps reduces driving time on average by about 8% in Auckland, and 6% in Wellington and Christchurch.²
- YouTube: 2.5 million people use YouTube each year. On average, people who used YouTube reported that they would rather have access to YouTube than receive more than NZ\$180 in annual discount on their Internet bills.³

In addition to our free tools, we offer advertising on Search and YouTube. Local businesses find potential customers by marketing their products and services on these platforms - for example, using Google AdWords on Search. By providing a range of affordable advertising channels, Google has essentially created a new option of accessible advertising that lets local businesses attract customers not only in their own city or country but all over the world.

New Zealand is also a good place to test new technology and as a consequence we held our global launch of Project Loon in Christchurch.⁴ These atmospheric balloons were recently used in Peru to help provide internet to communities in the aftermath of severe flooding.

Further information and data about *Google's Social and Economic Impact in New Zealand* is available at <http://www.alphabeta.com/google-economic-social-impact-new-zealand/>.

¹ *Google Social and Economic Impact in New Zealand*, Alphabeta 2017, <http://www.alphabeta.com/google-economic-social-impact-new-zealand/>, p19.

² *Ibid*, p41.

³ *Ibid*, p44.

⁴ Project Loon was part of Google at the time of launch but is now a division of [X] a separate research and development business owned by Google's parent company Alphabet.

Taxation (Neutralising Base Erosion and Profit Shifting) Bill

Traditionally, corporate tax is paid in the country where a business's products are developed, their investment is made and intellectual property is held. There are strict laws governing corporate taxation globally, and although we recognise the system is complex and governments often use tax laws to compete for jobs and investment, companies are required to operate within these laws.

This Bill will change how overseas companies operate in New Zealand in respect of whether they have a permanent establishment and it sends a clear signal to the corporate community that it expects a change in behaviour.

Our shift to reseller operations

In the past, when a customer bought advertising from Google, our Asia Pacific headquarters in Singapore entered into a contract with that customer, and earned revenue from that contract in Singapore - while Google NZ received an arm's length remuneration for the services it performed.

We intend to shift our business model from this past approach, such that customers will enter into contracts with our New Zealand entity, which will generate revenue from NZ advertising customers, and pay taxes in line with its role in the transaction.

Google at its core is a technology company, helping millions of people and small businesses get more from the internet. Our revenue helps pay for our investment in this technology. We employ tens of thousands of the smartest computer scientists in the world, including many New Zealanders, and spend \$14 billion US dollars a year on research and development, funding new technology that we hope will make people's lives easier and the world a better place. In New Zealand, we hope that tools such as Search, Maps and YouTube continue to provide a positive social and economic benefit to all communities.

Yours sincerely



Ross Young
Senior Manager
Public Policy and Government Affairs
Google New Zealand