



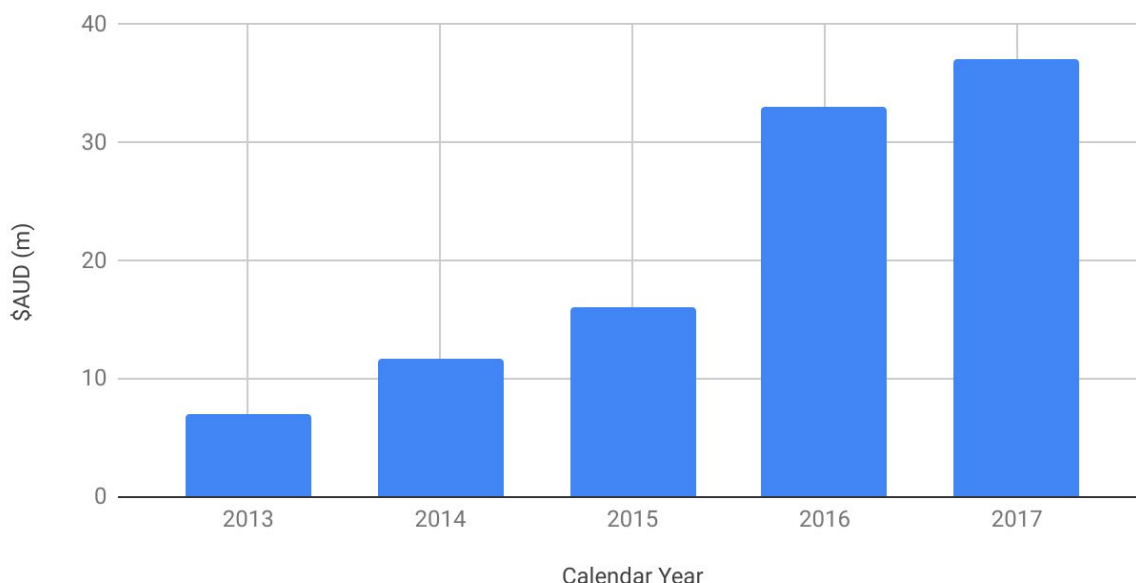
We understand community interest in taxation of multinational companies, including digital companies, and welcome the opportunity to provide a submission to the Treasury’s digital economy consultation.

Alphabet, Google’s parent company, is one of the world’s largest taxpayers. Each year Alphabet pays billions of dollars in corporate tax around the world. In line with international tax law, over the past 10 years 86% of this was due in the United States, where the company is headquartered and listed, and where the majority of the Research & Development (R&D) supporting Google’s global consumer-facing platforms takes place<sup>1</sup>.

We are committed to fulfilling our tax obligations in every country in which we operate, including Australia, where over the past five years Google has paid more than \$100 million in corporate income tax.

Google Australia’s annual corporate income tax payable to the Australian government has increased by more than 520% during this period.

### Google Australia’s Corporate Income Tax Payable (\$million AUD)



In 2016 Google Australia restructured its business to recognise revenue from the marketing and selling of certain products and services, including advertising, to Australian based customers.

<sup>1</sup> Alphabet spends approximately 15% of its global revenue on R&D, as well as paying for the digital infrastructure (data centers, technology hardware and fibre-optic cabling between nations) that supports the global internet and allows Australians and others to access to Search, Maps, Translate and other widely used consumer productivity tools. The economic impact of these tools for businesses and consumers in Australia can be found in the section of this document titled “Google’s Australian presence”.

Australia's government has also legislated to ensure the Goods and Services Tax (GST) is collected on digital services purchased and delivered from overseas. Google now collects these indirect taxes which are remitted to the Australian government. This will result in hundreds of millions of dollars of additional annual GST revenue for the Australian government.

As a demonstration of our commitment to tax transparency, and uniquely among global technology companies, Google Australia has signed the Australian government's Voluntary Tax Transparency Code.

## Global Taxation

Globally, Google has paid tax at an effective tax rate of over 26% for the past 10 years. This is well above the 23.7% average statutory tax rate across the Organisation for Economic Co-operation and Development (OECD) member countries.

The overwhelming majority of our corporate income tax is paid to the United States. This is in line with global tax principles and the OECD's guidance, which requires tax to be paid where value is created. The majority of value created by Google is in the creation of digital products and services. These products and services are created by tens of thousands of engineers in the United States, which is why we are required to pay the majority of the tax there.

Similar distributions can be seen in other sectors - for example, Australia-based mining companies pay the overwhelming majority of tax on profits in Australia.

How governments allocate the taxes paid by multinational companies is a matter for debate between governments. However, it is important that this is agreed on a multilateral basis. Unilateral taxes undermine the international rules-based system and are likely to give rise to double taxation for all companies that operate internationally.

It is also important that any new tax does not discriminate against a particular mode of delivery as this has the effect of distorting economic activity, making investments less productive and acting as a disincentive to digital innovation. This is especially important to avoid in a sector such as advertising, which as a service that connects buyers and sellers is a key driver of growth across the economy.

Google supports cooperation on international taxation, including multilateral efforts through the OECD and G20 to make the international tax system simpler and more transparent.

## Google's Australian presence

Google invests more than \$500 million dollars in Australia annually, and spends more than \$250 million annually on research and development services in Australia. This investment sustains more than 1,300 Australian jobs. Uniquely among global technology companies,

this presence includes more than 570 jobs in Google's engineering division, constituting one of Australia's largest computer science workforces.

Google's Australian presence helps Australian businesses compete effectively in the global digital economy. Google's products and services support more than \$15.1 billion dollars worth of economic activity annually for the approximately 840,000 Australian businesses who connect with consumers through Google<sup>2</sup>. International trade and tax agreements allow Australian businesses to access international markets and compete on a level playing field with their local and global competitors.

Research shows that embracing digital technology brings benefits across the economy. In Australia, small and medium businesses that are advanced in their use of digital technology compared to those at a basic level are 8x more likely to be creating jobs, 7x more likely to be exporting, earn 1.4x more revenue, and are 14x more likely to be innovating<sup>3</sup>.

During 2015 in Australia alone Google's products supported \$14.8 billion dollars of free benefits for Australian consumers, saving the average Australian 31 hours finding information on the web and 29 hours in transport time. Google helped students answer 25 million homework questions every night, and the 13.5 hours Google Maps saved Australians on the road alone equated to \$500 million in fuel savings across the economy<sup>4</sup>.

We thank the Government for the opportunity to present the facts about our tax and other contributions to Australia and look forward to contributing more in the years ahead.

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<sup>2</sup> *Google Economic Impact: Australia 2015*, Alphabet, 2016

<sup>3</sup> *Connected Small Business 2016*, Deloitte Access Economics, 2016

<sup>4</sup> *Google Economic Impact: Australia 2015*, Alphabet, 2016