19 December 2018

Principal Adviser
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Via email: corporatetax@treasury.gov.au

To the Principal Adviser

Nine thanks the Corporate and International Tax Division for the opportunity to make a supplementary submission to the Free TV submission in response to the discussion paper, *The Digital Economy and Australia's Corporate Tax System,* October 2018.

On 10 December 2018, Nine became operational as a combined group which includes the former Fairfax mastheads The AFR, The Age, the SMH, Australian Community Media, STAN, major shareholdings in the Domain Group and Macquarie Radio Group, in addition to Nine's TV and digital assets.

Nine remains very supportive of the Government's approach to capturing the appropriate levels of corporate tax as the digital economy evolves and globalises. We understand that the discussion paper has identified three factors as common to highly digitised business models, namely:

- Cross-jurisdictional scale without mass;
- Reliance on intangible assets;
- Data, user participation and network effects.

We commend the Government's efforts and subsequent success through the design and implementation of the Multinational Anti-Avoidance Law (MAAL), Diverted Profits Tax and the GST reforms to cover digital products.

However, the proposal to impose a Digital Services Tax as an interim measure to achieving international agreement on tax rules is very concerning to Nine and could have an adverse effect on our ability to continue to invest in innovation and Australian content, which are important investments to enable Nine to transform into a modem media business.

Global digital businesses have attracted and captured significant advertising dollars away from traditional forms of media over the last decade. While these businesses carry the direct cost of innovation and technology they have low to minimal content costs with many having a low risk revenue sharing models. Furthermore, they also have very low regulatory compliance costs.

On the other hand, Nine's spending on innovation and digitisation has increased significantly in the last several years, in addition we carry the cost of making and acquiring content which is (CIC) of our Television cost base. The broadcast carriage costs of spectrum and operations is more than (CIC) per annum and Nine spends many millions on regulatory compliance costs including captioning, classification and content quotas including uncommercial children's programming.
Even with the carve outs as seen in the UK model there is a real risk of capturing important Australian businesses that are successfully innovating and competing in a global economy. In the case of Nine we include Domain in this group.

As outlined in the discussion paper on page 5: Given "Australia's corporate tax system relies on fundamental concepts of source (of income) and residence (of a taxpayer) to determine which activities (and income) are subject to tax in Australia. This approach is typical of nearly all developed countries," introducing a digital services tax will trigger a double taxation to Australian businesses that source their income in Australia and reside in Australia, like Nine. This will make it increasingly difficult for domestic companies like Nine to effectively compete against multinational digital platforms that have been attracting Australian advertising dollars away from Australian media businesses for the last several years.

We ask that the Treasury Department consider the real impact of a Digital Services Tax on Australian businesses' ability to continue to innovate, invest in Australian content and compete in a global digital economy.

Regards

Greg Barnes
Chief Financial Officer