



NORGES BANK  
INVESTMENT MANAGEMENT

DG Taxation and Customs Union (TAXUD)  
European Commission  
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## European Commission consultation on the fair taxation of the digital economy

We refer to the European Commission's *Consultation document on the fair taxation of the digital economy*, published on 26 October 2017, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. NBIM is a globally diversified investment manager with EUR 162 billion invested in equities and EUR 95 billion in fixed income in the European Union.<sup>1</sup>

NBIM, as a financial investor, expects multinational enterprises to exhibit appropriate, prudent and transparent tax behaviour. In line with the G20/OECD Principles of Corporate Governance<sup>2</sup>, we consider that company boards should take into account the interests of all relevant stakeholders. As an investor, NBIM analyses opportunities and risks to its investments. Complex or opaque ownership and organisational structures hamper transparency and may compromise investors' fundamental financial analysis. Furthermore, business operations that are driven by tax planning rather than long-term value creation may be more vulnerable to changes in regulation or enforcement.

We have laid out our expectations towards companies on tax and transparency, which rest on three main principles. The first is that taxes should be paid where economic value is generated. The second is that company tax arrangements are a board responsibility. The third is that public country-by-country reporting is a core element of transparent corporate tax disclosure<sup>3</sup>.

Institutional investors benefit from well-functioning, consistent, predictable and transparent international tax rules. In the context of the fast evolving business environment for multinational enterprises and the digitalization of the economy, we understand the rationale

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<sup>1</sup> As at 31 December 2016

<sup>2</sup> G20/OECD, [Principles of corporate governance](#), 2015

<sup>3</sup> NBIM, [Tax and transparency, expectation towards companies](#). Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with multinational enterprises on the topic of tax and transparency



for analysing whether the current international tax framework of domestic tax laws is still appropriate. The development of new technologies, across markets, may in some ways have outpaced the tax framework. Multinational corporations operating in the digital economy are perhaps the furthest extension of the idea that where a business has a physical presence no longer necessarily overlaps precisely with where that business creates value. We therefore support international solutions and we welcome the ongoing work of the OECD and the Task Force on the Digital Economy in relation to BEPS Action 1 on *Addressing the Tax Challenges of the Digital Economy*, and the recommendations in other BEPS Actions that seek to address issues exacerbated by digitalisation. We also read with interest the Commission's Communication on a *Fair and Efficient Tax System in the EU for the Digital Single Market*.

We support the Commission's goals of a modern and more effective tax framework. As an investor, we find it particularly important to ensure a level playing field for businesses across markets. Moreover, we wish to see international tax regulation that serves its expressed purposes, is practicable and does not create an undue burden for companies. Harmonized approaches and standardized reporting would reduce costs. More clarity in the tax framework may also reduce operational risks for companies and help them make better decisions as regards to their tax policies.

As laid out in our expectations towards companies, we endorse the principle that businesses should pay their taxes where they create economic value. We understand the need to reflect on how this principle can be implemented in an increasingly digitalized economy.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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