



NORGES BANK
INVESTMENT MANAGEMENT

Tax Policy and Statistics Division
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OECD consultation on addressing the tax challenges of the digitalisation of the economy.

We refer to the Organisation for Economic Co-operation and Development (OECD)'s public consultation document on *Addressing the tax challenges of the digitalisation of the economy*, published 13 February 2019. 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 about USD 1 trn in assets under management, including 66.3 % in equities.

We have laid out our expectations of companies on tax and transparency in a public expectation document¹. As an investor, NBIM expects multinational enterprises to exhibit appropriate, prudent and transparent tax behaviour. In line with the G20/OECD Principles of Corporate Governance, our starting point is that that company boards should oversee company tax strategies and planning. Company boards should also discourage practices such as aggressive tax avoidance, which do not contribute to the long-term interests of the company and its shareholders.

Institutional investors benefit from well-functioning, consistent, predictable and transparent tax rules. To ensure harmonization and reduce uncertainty, we support international solutions to the question of taxation of the digital economy and welcome the ongoing work of the OECD in relation to BEPS Action 1 on *Addressing the Challenges of the Digital Economy*.

With regards to the proposals for revised profit allocation and nexus rules, we support measures that are based on the principle that business profits should be taxed in the countries in which value is created. This principle is embedded in NBIM's expectations towards companies on tax and transparency. The digitalisation of the economy is increasingly transforming many sectors of the economy. We agree that, as a result of

¹ NBIM, [Tax and Transparency, expectations towards companies](#).



digitalisation, businesses may create value in jurisdictions where they do not have physical presence or carry out physical activities. We likewise support the need to avoid unnecessary complexity in the implementation of the proposals, and to ensure that businesses have certainty and predictability in respect of their intended application. To avoid distortion and ensure a level playing field for businesses across markets and sectors, we would welcome a broad definition of what constitutes a value-generating activity in this regard.

We welcome that the proposals recognise the need to prevent administrative burdens and double taxation for businesses. Incorporating any additional data needs for authorities into existing reporting mechanisms such as those in place under BEPS Action 13 (*country-by-country reporting*) and should not impose an additional material cost or reporting burden on companies.

Our expectations to companies make clear how business operations that are driven by tax planning rather than long-term value creation may be more vulnerable to changes in regulation or enforcement. Complex ownership and organisational structures hamper transparency and may compromise investors' fundamental financial analysis. We welcome the OECD's objective to address the continued incentives to shift profits to entities in no or very low taxation jurisdictions, for example through the global anti-base erosion proposal.

We appreciate your willingness to consider our perspective.

Yours sincerely

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