

facebook

13 September 2017

Mr Mark Fitt
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

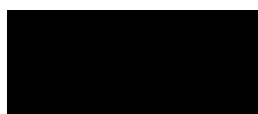
By email: Economics.Sen@aph.gov.au

Dear Secretary,

Thank you for the opportunity for Facebook appear before the Economic References Committee on Tuesday 22nd August, 2017.

During our appearance, we undertook to come back to the Committee on several Questions on Notice. Attached in Appendix A are our responses to these.

Kind regards,



Mia Garlick
Director of Policy, Australia & New Zealand
Facebook

Appendix A

- **What are comparable companies for the purposes of the calculation of an appropriate return to the other entities supporting the revenue generated locally?**

The companies that have been considered by the Australian Taxation Office for purposes of determining the appropriate return for Facebook Australia include resellers of software and high-end consultancy service providers and media agencies. The functions of these entities involve substantial software services, consulting and system analysis, marketing strategy advice and are usually “bespoke” to their clients.

- **For tax years 2014, 2015, 2016 and estimated 2017, what is the revenue, pre-tax profit and tax payable, including any adjustments made to the tax payable and breakdown of the years to which those adjustments apply?**

The following table summarizes the relevant financial information from the publicly available statutory filing of Facebook Australia.

| | A | B | C | D |
|----|--|--------------|--------------|---------------|
| | | 2014 | 2015 | 2016 |
| 1 | | | | |
| 2 | | | | |
| 3 | Revenue | \$26,431,727 | \$33,557,922 | \$326,882,481 |
| 4 | Pre-tax profit | -\$26,055 | -\$156,460 | \$6,330,859 |
| 5 | | | | |
| 6 | Tax adjustments | | | |
| 7 | Share-based payments | \$1,946,613 | \$2,384,737 | \$2,858,887 |
| 8 | Entertainment | \$305,717 | \$302,953 | \$839,643 |
| 9 | fixed assets written down | | | \$784,110 |
| 10 | Sundry items | \$42,570 | | \$90,800 |
| 11 | Prior period / deferred tax catch up | | \$182,727 | -\$18,687 |
| 12 | income adjusted for tax expense purposes | \$2,268,845 | \$2,713,957 | \$10,885,612 |
| 13 | | | | |
| 14 | Australia tax rate | 30% | 30% | 30% |
| 15 | Tax expense | \$680,654 | \$814,187 | \$3,265,684 |

Unfortunately, we are not able to provide an estimate on these pieces of financial information for 2017 at this stage.

- **How much revenue is generated from Australia that is not supported by Facebook's Sydney or Melbourne offices?**

Facebook has a centralized sales organization that supports customers not managed by our local entity, and a considerable amount of this support is provided by online tools and materials that are developed by staff working in our US, Ireland or other offices. Consequently, these sales are recorded by Facebook Ireland and Facebook US in the aggregate. In our ordinary course of business, we do not separately record the amount of revenue made from Australian customers that is not supported by Facebook Australia. However, in an effort to assist the Committee with its work, we are able to confirm that the amount of revenue from Australian customers that was not supported by Facebook Australia in 2016 was close to AUD492 million.

- **Does it mean — that, in terms of transactions that occur for perhaps Australian advertisers that end up as advertising here in Australia for Australian eyeballs, if it's done through an Irish or a Singaporean subsidiary for instance, GST would be payable in those circumstances even though the end product — that is the advertising — ends up in Australia?**

The GST on all Australian sales is payable consistent with Australian law. The GST that on sales that are done through Facebook Ireland will continue to be self-assessed and reported by the Australian customers.