Reed Elsevier

24 March 2014

Dear Sir/Madam

Consultation on Economic "Spillovers" in International Taxation

We are writing in response to the IMF's consultation on Economic "Spillovers" in International Taxation, which opened on 12 February 2014.

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We set out below our comments in respect of the consultation.

The taxation of the digital economy is currently a popular topic in the international tax arena with many organisations publishing information on this over recent months, including both the IMF and OECD. This is a topic that is particularly relevant to Reed Elsevier as over a number of years we have seen a migration of our business from a predominantly print based business to a position where approximately 66% of our revenue was derived from electronic products and services in 2013.

As a large multinational enterprise we need to comply with many different tax laws in a large number of countries around the world. Historically tax law has been based on tangible goods and services and we recognize that this is not always easily applied to tax issues arising in the digital economy.

We are concerned that the work being carried out on the taxation of the digital economy independently by a number of different bodies, as well as by local tax authorities and governments could result in inconsistencies around the world in the tax treatment of the digital economy. This could result in the same profits being subject to tax in multiple locations. This is particularly concerning given that wide range of factors that have been discussed that could potentially be used as the basis of taxation for the digital economy including the location of the customer or the location of the servers from which the product is delivered.

This issue is also applicable for indirect taxes, such as VAT and sales tax, and a number of countries have already introduced new rules which effectively change the place of supply of goods and services and therefore change the jurisdiction in which the indirect tax is payable. Such changes can also lead to multiple taxation in respect of indirect taxes.

In order to relieve multiple taxation, large multinational enterprises would need to claim relief under relevant double taxation treaties and enter into MAP or Competent Authority procedures, where available. All of these

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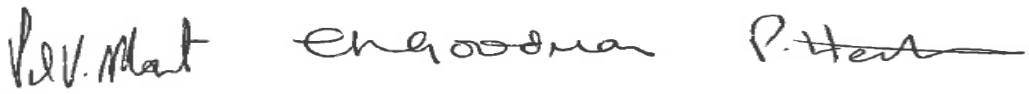
options would result in a significant investment in terms of additional time and costs in relation to these additional processes. This would potentially increase the compliance burden substantially for large businesses.

We are therefore in favour of a consistent global approach to the taxation of the digital economy that is consistent with the arm's length principle favoured by the OECD, UN and many tax authorities around the world. We do not consider that a formulary apportionment approach is appropriate for developing countries as this would be inconsistent with the OECD and UN countries and could potentially lead to multiple taxation of profits.

We would like to thank you for providing us with the opportunity to comment on this topic.

Yours faithfully



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