Facebook’s Approach to Tax Policy

*Key Issues and Principles*

*Updated February 2020*

Facebook is a U.S. company, headquartered in Menlo Park, California. Since its founding in 2004, Facebook has grown as a global leader in the technology industry - giving more than 2.8 billion people across the globe the ability to connect through our family of products. Every day more than 2.2 billion people use our free products and services to connect with friends, family, businesses, and loved ones. Moreover, more than 140 million businesses worldwide use our products to connect with customers and grow.

Facebook’s revenue is primarily from advertising. This revenue allows Facebook to create and sustain an engaging and relevant experience for the people and businesses that use our products. We pride ourselves on constantly innovating to meet new needs and challenges and lead among U.S. companies in research and development (R&D) and investment. In 2019, Facebook’s R&D expenses exceeded $13 billion and our investment in capital expenditures exceeded $15 billion, both of which have consistently grown year-over-year. Facebook employs more than 45,000 full-time employees across 70 locations worldwide. Despite our global reach, the majority of our R&D and operations are located in the United States.

Facebook believes that stable, long-term tax policies are critical to an environment that helps businesses thrive and grow. As such, Facebook supports the following tax policy issues that encourage a competitive global tax system:

- **A stable and uniform international tax system**: Facebook supports a stable and long-lasting international tax system. We understand that business models have changed drastically in recent years, and that tax laws should change and adapt as well. Facebook strongly supports a balanced and stable international tax system that encourages R&D and innovation and recognizes the increasingly global nature of business across all sectors. Tax laws should evolve with businesses in order to promote sound pro-growth policies.

- **Minimize double taxation**: Governments around the globe should continue to pursue mechanisms that eliminate double taxation and ease compliance burdens by establishing clear lines of communication and coordination among tax administrators. We support sound global tax administration through continued investment in bilateral treaties and multilateral agreements to ensure certainty in administration for both governments and taxpayers, through agreed-on principles that are well established and can be relied on.

In this rapidly changing policy environment, we not only strive to comply with all applicable tax laws, but to work with policy makers to help them adapt to these changes. We hold ourselves to the highest standards and principles as described below:

- **Full compliance with relevant tax laws**: Facebook’s approach to tax is to ensure compliance with all tax laws in the jurisdictions where we operate. As a multinational company, Facebook takes its tax obligations seriously and we pay all taxes due in every country as required. Tax policy has seen rapid change over the last several years, and our tax, policy, and finance teams work hard to ensure the accurate and timely filing of our tax returns.
• **Cooperation and transparency with tax authorities:** Tax policy and administration are core to the functioning of every government. We strive to work collaboratively with all tax authorities, maintain a professional and open relationship, and are committed to resolving disagreements through open discussions. While we strive to cooperate with all tax authorities, we recognize that disagreements do occur and we will assert necessary legal rights to uphold our positions based on our interpretation of the law.

• **Reducing uncertainty where appropriate:** One of Facebook’s primary goals is to reduce uncertainty in our tax matters with regard to interpreting various tax laws. This may include the use of tax forums, tax rulings, advance pricing agreements, and other appropriate measures allowed by law. These efforts are supported by our collaborative approach and relationships with tax authorities.

• **Proactive approach to the needs of policy makers:** At Facebook, we do not think it is enough to simply comply with all tax laws. We take a proactive approach to tax policy to address new and changing norms. Over the last several years Facebook has announced a number of changes with respect to tax policy. For instance, our proactive commitment to a local selling structure globally was inspired in large part by discussions with tax policy makers at the OECD.

Facebook’s Audit & Risk Oversight Committee of the Board of Directors oversees certain areas of the company, including its accounting and financial reporting processes and audits of its financial statements. The Audit & Risk Oversight Committee’s scope also includes Facebook’s global tax policies, planning and compliance, and specifically this policy, which it approved on February 12, 2020.