

# ICRICT



**Independent Commission for the Reform  
of International Corporate Taxation**

6 March 2020

## **ICRICT response to the OECD Consultation on the Review of Country-by-Country Reporting (BEPS Action 13)**

Att. OECD Committee on Fiscal Affairs' Working Party 6 (on the Taxation of Multinational Enterprises) and Working Party 10 (on Transparency and Exchange of Information).

### **General comments**

ICRICT welcomes the opportunity to respond to the OECD's request for input on the Review of Country-by-Country Reporting (BEPS Action 13).

We believe that there is a need for greater transparency of profits and taxes paid in each country by multinational corporations, public and private. Greater transparency could unleash the potential of companies to make a significant contribution to sustainable development. A central problem in today's corporate tax system is the secrecy surrounding information about where corporations do business and what they pay in tax in those countries. This is a major obstacle to the accountability of both multinationals and tax authorities, which can be addressed through the introduction of public country by country reporting.

The use of OECD country by country reporting data privately by tax authorities already demonstrates clear benefits. There are no obvious disadvantages to making this information public, while the potential exists for the benefits to be greatly extended, by improving the quality, coverage of and access to the data.

### **Specific comments**

The current OECD country by country reporting standard and exchange mechanism should therefore be revised to ensure:

**1) Better data quality:** the OECD country by country reporting standard should converge towards the more robust GRI 207: Tax 2019 standard<sup>1</sup> for country by country reporting developed by the Global Reporting Initiative (GRI)<sup>2</sup>, the leading international setter of sustainability standards. This standard addresses a number of weaknesses in the current OECD standard, including the lack of reconciliation with global, consolidated group accounts.

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<sup>1</sup> <https://www.globalreporting.org/standards/gri-standards-download-center/gri-207-tax-2019/>

<sup>2</sup> <https://www.globalreporting.org/information/about-gri/Pages/default.aspx>

Convergence with the GRI standard will encourage more multinationals to voluntarily publish country by country reporting.

**2) Better data coverage:** at present, few multinationals are required to provide country by country reporting, since the OECD standard sets a threshold of EUR 750m in annual turnover. The current threshold is inappropriate for many smaller economies, where smaller multinationals can be responsible for larger shares of economic activity – and indeed for larger shares of tax risk. Given that the broad intention of country by country reporting is to bring multinationals in line with domestic standalone firms, the threshold should be lowered. An obvious level would be that used by the EU to identify large enterprises, i.e. turnover of EUR 40m; or simply to remove a revenue threshold and address all business groups that operate multi-nationally.

**3) Better access to country by country reports for tax authorities** would help to ensure accountability for multinationals in all jurisdictions. The current exchange system should move to automatic multilateral exchange of Country-by-Country Reporting data for all governments, instead of the convoluted, time-consuming current arrangements that systematically discriminate against lower-income countries' tax authorities, which have limited or no access to country by country reports through the existing system. At a minimum, the OECD should ensure full and timely access for tax authorities from countries at all income levels.

**4) Better access for the public** – including taxpayers, investors, labour, researchers and civil society – would ensure accountability for tax authorities and multinationals alike. Full publication of the data, as the GRI standard requires and major reporters like Shell<sup>3</sup> and Vodafone<sup>4</sup> are increasingly delivering voluntarily, would help to create a level playing field among reporter companies and eliminate much of the secrecy that facilitates tax avoidance by multinationals.

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<sup>3</sup> <https://reports.shell.com/tax-contribution-report/2018/our-tax-data/introduction-to-country-by-country-reporting.html>

<sup>4</sup> <https://www.vodafone.com/our-purpose/reporting-centre/tax-and-our-contribution-to-economics>