How Tax Transparency Can Boost DRM for Developing Economies

FACTCOALITION
Financial Accountability & Corporate Transparency

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The Problem: Persistent Information Asymmetries

- The current system does not address persistent information asymmetries related to MNE tax practices
- OECD Action Item 13 and confidential country-by-country tax reporting (CbCR) for MNEs
    - **No least developed countries currently receive CbCR reports.**
    - **Only five African nations have activated exchange relationships and are currently receiving reports.**
    - **The U.S. – home to the largest number of multinational companies globally – automatically exchanges information with only a single African country.**
    - OECD – “This lack of access could, over time, erode confidence in the Action 13 standard and strengthen calls for public disclosure of CbC reports.”
    - Many other stakeholders left in the dark:
        - Developing country tax authorities
        - Legislative bodies
        - Investors
        - Civil society actors

GRI

Disclosure 207-4
Country-by-country reporting

Reporting requirements

Disclosure 207-4

The reporting organization shall report the following information:

a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.

b. For each tax jurisdiction reported in Disclosure 207-4-a:

  i. Names of the resident entities;
  ii. Primary activities of the organization;
  iii. Number of employees, and the basis of calculation of this number;
  iv. Revenues from third-party sales;
  v. Revenues from intra-group transactions with other tax jurisdictions;
  vi. Profit/loss before tax;
  vii. Tangible assets other than cash and cash equivalents;
  viii. Corporate income tax paid on a cash basis;
  ix. Corporate income tax accrued on profit/loss;
  x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.

c. The time period covered by the information reported in Disclosure 207-4.

Public CbCR Momentum is Growing

- **EU limited Public CbCR**
  - Public CbCR for banks 2014 – impact on corporate behavior
  - 2021 – partial Public CBCR - Expect to see reports in 2025/6
- **Australian** legislation for more complete Public CbCR
  - Information required pursuant to GRI 207-4
  - Flexible determination of covered jurisdictions
  - Expect to see reports in 2026/7
- **U.S.** – FASB, Congressional and Securities and Exchange Commission interest
- **Voluntary adoption** of GRI 207-4 by major MNEs
- **Not a matter of "if" but "when" – KPMG US – "Get Ready for Multinational Tax Transparency"**
  - "Public disclosure of CBC reports, or similar tax data, is also not far away."

Developing Country Tax Administration and Public CBCR

Public disclosure of these reports:

- Overcomes current limited access to CBCR reports
- Reduces and deters profit shifting that harms developing countries
- Improves allocation of scarce tax administration resources by facilitating more efficient risk assessment and auditing
- Removes barriers to use of CbCR reports, including limitations that exist in confidential CbCR

"The more information we have, the better for everyone… if you have nothing to hide, then why hide in the first place?"

– ***Taiwo Oyedele, Chairman, Nigerian Presidential Committee for Fiscal Policy and Tax Reforms,*** *referring to public country-by-country reporting during his presentation at the UNDP Tax for SDG public dialogue in November 2023.*

Developing Country Tax Administration and Public CBCR (Cont'd)

- Increases investor confidence and FDI
- Complements other capacity-building efforts
- Helps the public hold tax authorities to account for doing their jobs
- Requires relatively limited legislative, administrative and logistical investment
- Other uses?

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Opportunities for Advocacy

- **UN FfD4 Conference** from June 30 – July 3, 2025
- Ongoing negotiations surrounding the **UN Tax Convention**
- 2024 **G20 Summit** November 18-19
- Improving tax transparency through IFRS/GAAP
- Jurisdiction-level regulatory and legislative efforts in **EU, Australia, U.S.**, etc., as well as new legislation in development.

Stay in Touch!

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