General Assembly
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# 2024 ATI General Assembly

*Equity and Sustainability: Building Progressive Tax Systems*

18-20 JUNE | ONLINE

*Tax systems that work for people and advance the Sustainable Development Goals*

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# ATI Consultative Group 3 Meeting

## Enhancing Global Tax Cooperation for combating IFFs – The Role of Country-by-Country Reporting

**Miroslav Palansky**, *Head of Research, Tax Justice Network*

**Thomas Georges**, *Policy and Communications Officer, Financial Accountability and Corporate Transparency (FACT) Coalition*

Facilitation by the ATI Secretariat



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# Agenda

| Time | Session | Speaker |
|---|---|---|
| **15:00-15:05** | Welcome and presentation of the agenda | Moderator |
| **15:05-15:15** | Presentation: Challenges and opportunities of partner countries in accessing and using CbCR data | Tax Justice Network |
| **15:15-15:25** | Presentation: Potential product to support ATI partner countries in using & accessing CbCR data incl. Q&A | ATI Secretariat |
| **15:25-15:45** | Presentation: The case for public CbCR and potential policy advocacy by the ATI incl. Q&A | FACT Coalition, Moderator |
| **15:45-15:50** | Presentation: Update on Commitment 3 Indicators | ATI Secretariat |
| **15:50-16:00** | Closing discussion: Areas of priorities for CG3 in the last year of implementation | Moderator |

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# Country-by-Country Reporting in ATI Partner Countries

**Miroslav Palanský**
Head of Research
Tax Justice Network

June 19, 2024

TAX JUSTICE NETWORK

# Country-by-country reporting

- Proposed by Tax Justice Network in 2003, now part of Action 13 of OECD BEPS
- Large multinational corporations (MNCs) with turnover >€750 million have to report on their economic activity and reported profits in countries around the world
- Implementation in ATI partner countries varies: only 6 countries now fully implemented

Source: OECD

TAX JUSTICE NETWORK

# Value of CbCR data

- Crucial tool for understanding MNCs‘ tax abuse
- Aggregate data available via OECD: substantial geographical misalignment of economic activity and reported profits
  - Separate accounting and arm‘s length pricing is not achieving its objectives
- >$300 billion lost in tax revenue annually (Tax Justice Network‘s State of Tax Justice, 2023)
  - Impact disproportionately large on lower-income countries: 6.5% of current tax revenue is lost, compared to 1.6% for higher-income countries
- At the company level:
  - Which companies are responsible
  - Which low-tax jurisdictions are used
  - What will be the impact of reforms, incl. Pillar II, and how should these reforms be implemented

TAX JUSTICE NETWORK

# Challenges

- Implementation:
  - Technical and operational (data management, IT infrastructure, compliance and enforcement, technical staff capacity
  - Legal and regulatory (legislation, harmonization, international standards)
  - International cooperation (information exchange, data analysis)
- Multinationals‘ tax abuse:
  - Pillar 2 implications (global minimum tax), Pillar I
  - Unitary taxation with formulary apportionment
  - UN Tax Convention

# Thank you

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# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

## Format

- A study/report (research) with a general introduction and specifications about participating countries
- 3 x 90 minutes preparatory sessions
- 3-day training including hands-on sessions
- train of trainer approach
- 3 x 90 minutes follow-up mentoring sessions.

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

**Preliminary Training Agenda –Building Block 1 Introduction to CbCR**

- Covers the structure, significance, and best practices of CbCR.
- Technical challenges in joining the CbC Multilateral Competent Authority Agreement (MCAA).

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

**Preliminary Training Agenda – Building Block 2 Analyzing CbCR Data Global Perspective**

- Focuses on analysing most recent available CbCR data
- Examines global MNE activity, profit reporting, and the effectiveness of global tax measures like BEPS.

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

## Preliminary Training Agenda – Building Block 3 Regional and Firm-specific Analysis

- Presenting MNEs tax structures and activities in regions relevant for ATI partner countries
- Analyses\s profit-shifting patterns, use of offshore centers, and firm-specific perspectives.

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

## Preliminary Training Agenda – Building Block 4 Comprehensive Review and Transparency Initiatives

– Analyses the impact of tax reforms and broader lessons from CbCR for better tax policy and tax administration.
– Reviews recent transparency initiatives and their effects on profit shifting and tax collection.

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

**Preliminary Training Agenda – Building Block 5 - Comprehensive hands-on support**

- Providing tools for managing risks for tax collection from MNEs
- Red flags, processing MNEs data, improving audit

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

## Preliminary Virtual Meetings

- Alignment on International tax issues and concepts
- Receiving feedback from participants on concrete needs and expectations

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

## Follow-up Virtual Meetings

- Mentoring participants to see knowledge and tools implemented successfully
- Hosting dialogue between partner countries on their challenges in International Tax

# Support Package for ATI Partner Countries – CbCR analysis and taxation of MNEs

**Double benefit**

- New knowledge in regional perspective
- Developing skills/ providing hands-on support

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# How Tax Transparency Can Boost DRM for Developing Economies

FACTCOALITION
Financial Accountability & Corporate Transparency

**Thomas Georges**
**Policy and Communications Officer, FACT Coalition**

**Addis Tax Initiative Consultative Group 3**

# 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?

Addis Tax Initiative

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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.


UNDP Tax for SDGs Initiative

# Stay in Touch!

FACTCOALITION

Financial Accountability & Corporate Transparency

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TheFACTCoalition.org

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# ATI Commitment 3

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- ATI development partner improved their performances regarding harmful tax practices, treaty shopping, and mutual agreement procedures
- ATI partner countries are increasingly participating in Automatic Exchange of Information and Country-by-Country Reporting
- Tax expenditure reporting and transparency has increased in partner countries
- Information on beneficial ownership is enhancing in ATI partner countries

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# Next steps

- Tax Expenditure Community of Practice
  - Regular calls with expert and partner country presentations as well as space for exchange
  - All attendees from all six TE workshops will be invited
  - Aim to strengthen regional workshops of tax expenditure experts
- CbCR product
  - Final conceptualisation ongoing
- Potential webinar series on the impact of Pillar 2 on tax incentive regimes in cooperation with OECD
- Potential online events on experiences and best practices combatting tax-related IFFs (e.g. trade mis-invoicing)

# Next steps

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# Thank you for your attention!

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