AUSTRALASIAN CENTRE FOR CORPORATE RESPONSIBILITY

5 March 2020

Public Consultation on OECD Review of Country-by-Country Reporting

The Australasian Centre for Corporate Responsibility (ACCR) greatly appreciates the opportunity to comment on the review of the OECD's Country-by-Country Reporting (BEPS Action 13) framework. The implementation of Country-by-Country Reporting (CbCR) in 2015 has been an important step forward in increasing accountability of multinational corporations to pay corporate income tax in countries where profits are generated. Numerous tax authorities have been able to increase revenues based on implementation of the BEPS Action 13. However, there are significant improvements that can and should be made to further improve the integrity of national and international tax systems.

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association focused on evaluating and improving the performance of ASX-listed companies on environmental, social and governance (ESG) issues, including tax. ACCR regularly meets with ASX-listed companies about these issues, and regularly briefs investors about the ESG performance of ASX-listed companies.

Corporate tax transparency is an area of concern for ACCR, and investors more broadly. As the UNPRI notes, there are several reasons why corporate tax transparency is important for investors, including:

- The amount of corporate income tax a company pays is material to its profitability.
- Corporate tax avoidance activities may suggest underlying legal, operational, reputational, financial and/or governance risks.
- To ensure that the tax practices of companies in their portfolios can withstand stakeholder scrutiny and potential regulatory changes.[1]

Finally, investors recognise that corporate taxes support society's needs and institutions, which enable the long-term sustainability of businesses and investments. As CICTAR states in their submission to this consultation:

> The continued, largely legal, aggressive tax practices of multinationals undermine public trust in governments, business and other institutions and create an atmosphere in which dangerous nationalist populist movements can flourish. Multinationals must be required to pay a fair share of taxes in order to adequately fund essential services for communities, for business viability in particular, to reduce unsustainable and growing levels of inequality and restore faith in public institutions.

[1] UNPRI (2018), *Evaluating and Engaging on Corporate Tax Transparency: an Investor Guide,* https://www.unpri.org/download?ac=4668, accessed 04/03/2020, p. 5.

This brief submission does not cover all the questions raised in the public consultation document, but instead makes a few important over-arching suggestions towards improving the CbCR framework. The three key points are:

- **Public access** to OECD CbCR reports or at a minimum *fully automatic multilateral exchange of information* with tax authorities;
- Convergence with the **technical improvements in the new GRI Tax Standard**; and
- **Lowering the revenue threshold** to require reporting by more multinationals.

The UNPRI's 2018 report, *Evaluating and Engaging on Corporate Tax Transparency: an Investor Guide,* noted a significant lack of consistency of reporting between companies, with the majority of companies providing insufficient reporting to allow investors to assess corporate commitments against their practices.[2] UNPRI found, furthermore, that there was "little or no reporting in areas which are not covered by regulation, despite growing investor and stakeholder interest in these areas".[3] Without this information, it is difficult for investors to analyse risks and determine whether a company's approach to tax is appropriate or overly aggressive.

As such, ACCR – like many investors – supports public reporting, and believes that the OECD should move towards public CbCR. We note that the GRI Tax Standard already includes public reporting.

Secondly, ACCR supports the convergence of the OECD CbCR framework with the newly adopted Global Reporting Initiative (GRI) Tax Standard. Convergence with the GRI Tax Standard will: reduce compliance costs for reporting companies; improve the quality and usability of the data; and ensure consistent reporting standards.

The GRI Standard was developed through a multi-year process involving technical experts from a broad range of stakeholders and included a public consultation process, which drew support from global investment funds holding over US$10 trillion in assets. ACCR provided a submission to this process.

The new GRI Tax Standards include significant technical improvements, such as: reconciliation with global, consolidated group accounts and consistent treatment of intra-group transactions. The current OECD CbCR framework can result in the double counting of revenues in a particular jurisdiction. This significant flaw, among others, would be corrected by convergence of the CbCR framework with the GRI Standard.

Finally, the OECD should also consider lowering the current reporting threshold of €750 million in annual revenue to require a larger number of companies to report. It may be worthwhile to reduce the threshold gradually each year, to provide time for both companies and governments to prepare. As one example, in Australia, the tax office annually discloses tax payable, taxable income and total income of all Australian public and foreign owned

[2] UNPRI (2018), *Evaluating and Engaging on Corporate Tax Transparency: an Investor Guide,* https://www.unpri.org/download?ac=4668, accessed 04/03/2020, p.13.
[3] UNPRI (2018), *Evaluating and Engaging on Corporate Tax Transparency: an Investor Guide,* https://www.unpri.org/download?ac=4668, accessed 04/03/2020, p. 8.

companies with total Australian income of AUD$100 million (€59m) or more and private Australian companies with total Australian income of AUD$200million (€118m) or more.

These seem to be reasonable and appropriate reporting thresholds, particularly in the context of countries with smaller economies. However, beginning with an initial reduction of the required reporting threshold to €500 million in annual revenue would be a significant but measured step forward.

ACCR appreciates the opportunity to provide these recommendations and hopes that the OECD is able to implement a revised and improved OECD CbCR framework, in line with the GRI Tax Standard, before the end of 2020 as planned.

Please let me know if you require any additional information.

Sincerely,

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