Think Ahead ACCA

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20 April 2016

Re: Public tax transparency rules for multinationals

Dear Mr McLoughlin,

Thank you for your email dated 14 April 2016, which sought comments on the European Commission proposals on public tax transparency rules for multinationals.

ACCA works in the public interest and actively seek to enhance the public value of accounting and audit in society. We do this through international research and by taking a progressive stance on global issues. In respect of this specific consultation, ACCA will be cooperating with Fédération des Experts Comptables Européens (FEE) in the preparation of an overall response from the accounting profession globally. The FEE response will be a negotiated common position for accountants in many jurisdictions and may not necessarily reflect all of the concerns of ACCA. Below are set out some of our initial concerns with the European Commission proposals.

In general terms the proposals appear to be hurriedly crafted in order to provide immediate responses to matters such as the so called “Panama Papers”. They do not adequately take account of the much more considered responses from OECD to the issue of transfer pricing and disclosure of country by country reporting and other matters. The reported details of the Panama Papers suggest strongly that they describe the alleged laundering of money or tax evasion by individuals; acts that are illegal and better addressed through the Anti-Money Laundering Directives and legislation than through tax disclosures for large corporate entities.

What ACCA would like to see achieved is a Europe that is a good place to do legitimate and ethical business; where the tax paid by that business in the various jurisdictions where they operate, reflects the underlying profits of the business in that jurisdiction and not necessarily the turnover or employee numbers. A number of misguided opinions have reported that somehow, corporate profits should be linked to sales; somehow corporate profits would be like value added tax; they are not the same things. It is basic economics that sales in a jurisdiction do not necessarily lead to profits being generated in that jurisdiction and forcing public disclosure of these matrices, when they are not and should not necessarily be correlated, will not make Europe a good place to do legitimate and ethical business.

Some jurisdictions may choose to burden labour with income tax and allow a lower corporate income tax; as is the member states' choice. A business paying additional labour taxes and fewer corporate income taxes will be unfairly viewed where disclosures are purely based on a comparison of sales and employee numbers to corporate tax paid. The proposals are too simplistic to achieve their stated aim.

Imposing an additional anti-competitive disclosure burden on large entities; on top of what is proposed will be a disincentive to FDI and will not assist in rooting out egregious tax avoidance by large companies. The European Commission proposals should be delayed until the OECD proposals are completed and be assessed for their efficacy prior to any additional requirements.

If the EU were determined to push ahead with the changes to disclosure requirements in respect of tax for the largest companies; the obvious way of doing this is to lobby the IASB to make amendments to IAS 12. Changing the accounting standard would ensure that any additional disclosure would be more universally required and therefore less likely to impact disproportionately just on the EU. ACCA would be strongly opposed to any EU specific adopted amendments to IAS 12, but would support an appropriate amendment proposed by IASB.

If you have any queries on this response please contact me or Aidan Clifford at 01 4988907 or aidan.clifford@accaglobal.com

Yours sincerely,

Liz Hughes
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