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ActionAid Ireland submission to the Department of Jobs, Enterprise and Innovation on European Commission proposals on public tax transparency rules for multinationals.

ActionAid Ireland welcomes the opportunity to make a submission on the issue of public Country by Country Reporting in response to the European Commission's recently published proposals. ActionAid have been campaigning on tax justice since 2011[1], having identified tax avoidance and harmful tax practices as a structural cause of poverty and a key inhibitor to the realisation of human rights.

Multinational Companies (MNCs) tax practices have been increasing feature of the global agenda and recent leaks including Lux Leaks, Swiss Leaks and Panama Papers have both highlighted opacity around MNC tax affairs and significantly diminished public trust. Country by Country Reporting (CbCR) is fundamental to improving transparency and accountability in relation to MNCs tax practices, and we believe this should integrate a high level of public transparency. Public Country by Country Reporting offers a more equitable medium for information exchange for developing countries, and allows the public, civil society and media to understand their contribution, and identify risks. Making the information publicly available to policy makers, parliamentarians, journalists, investors, NGOs and citizens will allow them to better understand the role that MNCs are playing in and the contributions they are making to our societies. Public Country by Country Reporting can also be a part of rebuilding trust by showing where companies are playing a positive role in the development of countries, and by helping us all understand how a globalised economy is working, and facilitating the emergence of better rules to govern these activities.

We welcome the European Parliament's and European Commission's engagement on CbCR and believe the European Union has an important role to play in addressing these issues. The European Commission's proposal of April 12th this year is a welcome commitment to greater transparency, but falls short of what is required to tackle corporate tax dodging in

[1] ActionAid works directly on tax in the Ireland, Zambia, Nigeria, Burundi, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Tanzania, Uganda, the United Kingdom, Denmark, the Netherlands, Sweden, Australia, USA, France, Bangladesh, Nepal, Pakistan, and Vietnam.

Europe, and MNC profit shifting from developing countries. The IMF estimate that developing countries lose $200 billion USD to corporate tax dodging annually[2], money which could be used to fund essential public services for the world's poorest people. Developing countries' ability to mobilise resources domestically is key to their capacity to develop and meet the rights of their citizens. Greater transparency through public Country by Country Reporting would equip them with the necessary information to tackle profit-shifting and illicit financial flows.

ActionAid has identified several particular concerns within the European Commission's proposal including:

- The European Commission's proposal does not represent true CbCR, as it does not cover every country in which a company might operate. Companies with subsidiaries outside of the European Union, and not on the yet-to-be-defined non cooperative tax jurisdictions, will only be required to report on these subsidiaries on an aggregate basis. This undermines the efficacy of the reporting, failing to provide a complete picture of MNCs activities and may incentivize companies, determined to engage in aggressive profit shifting, to shift their activities to one of the jurisdictions where aggregate reporting is the only requirement.

- The proposals are particularly problematic for developing countries, who under the current proposal, will be unable to see the entire spectrum of company activities. This is essential in helping them identify possible instances of illegal profit shifting by companies. The OECD have acknowledged[3] that a lack of information has impeded developing countries attempts to challenge profit shifting. Information exchange is generally provided for in bilateral tax treaties, which limits information exchange to the developing countries' treaty partners and fails to reflect the limited capacity within many developing country taxation

[2] https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf
[3] http://www.oecd.org/tax/part-1-of-report-to-g20-dwg-on-the-impact-of-beps-in-low-income-countries.pdf

authorities. Public Country by Country Reporting, therefore, is the only way in which developing countries can be guaranteed access to this vital information.

- The threshold of $750 million, under which companies are not obliged to provide Country by Country Reports, is too high to be useful. Setting a threshold of $750 million will rule out between almost 90% of all multinationals, according to OECD figures.[4]

Public Country by Country Reporting would strengthen the efforts of tax authorities, investors, civil society, journalists and concerned citizens around the world to better assess the risks related to tax payments, world trade flows, and corporate governance. Public Country by Country Reporting would act to restore public confidence in the state and the European Union's abilities to uphold transparency and ensure accountability of multinational companies.

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[4] http://www.oecd.org/ctp/beps-action-13-guidance-implementation-tp-documentation-cbc-reporting.pdf