

**Information**

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**Background**

The Financial Accountability and Corporate Transparency (FACT) Coalition is a US-based non-partisan alliance of more than 100 state, national, and international organizations working toward a fair tax system that addresses the challenges of a global economy and promotes policies to combat the harmful impacts of corrupt financial practices.<sup>1</sup> More information about the Coalition can be found on the FACT Coalition website at [www.thefactcoalition.org](http://www.thefactcoalition.org).

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<sup>1</sup> A full list of FACT members is available at <https://thefactcoalition.org/about-us/coalition-members-and-supporters>. The views presented in this comment are not necessarily endorsed by every member of the Coalition.

## Work Programme Priorities

The United Nations Tax Committee should prioritize greater multinational tax transparency in the form of public country-by-country reporting (“CbCR”), which can improve tax administration and increase tax revenues for all countries, particularly developing countries.

### **a. Public CbCR is essential, particularly for developing countries**

Improved corporate tax transparency can help to deter base erosion and profit shifting (BEPS) by multinational corporations, which costs the world around \$100-\$240 billion in annual tax losses.<sup>2</sup> Public CbCR would help to mitigate these losses by providing tax authorities with actionable information to inform tax investigations and enforcement for tax enforcement purposes.

Public CbCR, as defined by the Global Reporting Initiative, an independent, international organization that sets the global best practice standards for corporate public reporting, requires large multinational enterprises to identify on a country-by-country basis: a list of subsidiaries; primary activities; third-party and intra-group revenues; profits; cash taxes paid; tax accrued; number of employees; tangible assets; and a qualitative reconciliation of the statutory corporate income tax rate and the group’s effective tax rate.<sup>3</sup> Currently, developing countries face barriers to accessing and using confidential CbCR reports through established exchange processes, as the UN Secretary General acknowledged in a recent report.<sup>4</sup> Therefore, the Committee should particularly prioritize increasing access to, and use of, public CbCR by developing country tax authorities.

Developing countries need significant additional revenues in order to meet the Sustainable Development Goals (SDGs), provide public services, and repay their debt. Countries in Sub-Saharan Africa, Latin America, and the Caribbean, and South Asia are the most impacted by tax avoidance strategies by multinational companies, including profit-shifting activities, as measured by a share of GDP.<sup>5</sup>

Countries implementing the OECD’s confidential CbCR regime require all large multinational enterprises (MNEs) to prepare a country-by-country report with data on the global allocation of income, profit, taxes paid, and economic activity among tax jurisdictions in which they operate. These confidential reports can be shared with tax administrations in other jurisdictions for use in

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<sup>2</sup> Organization for Economic Co-operation and Development, “Base erosion and profit shifting (BEPS)”, May 28, 2024, <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html#beps-actions>.

<sup>3</sup> See <https://www.globalreporting.org/standards/standards-development/topic-standard-for-tax>.

<sup>4</sup> U.N. Secretary General, “International coordination and cooperation to combat illicit financial flows : report of the Secretary-General”, July 17, 2024, <https://digitallibrary.un.org/record/4018307?v=pdf>.

<sup>5</sup> The EU Tax Observatory, “Global distribution of revenue loss from tax avoidance: re-estimation and country results”, March 13, 2018, <https://www.taxobservatory.eu/repository/global-distribution-of-revenue-loss-from-tax-avoidance/>.

high-level transfer pricing and BEPS risk assessments. However, Global South countries largely lack access to these reports, due to several aspects of the OECD's CbCR regime that inappropriately prioritize corporate secrecy over tax authorities' access.

First, limited treaty networks mean that the vast majority of developing countries do not receive CbCR information. The United States houses the largest number of multinational entities in the world, but only two African nations (Mauritius and South Africa) have bilateral agreements to exchange CbCR information with the US.<sup>6</sup> While some African and least developed countries have signed onto the multilateral agreement for report exchange, no least developed countries currently receive reports. Kenya, Mauritius, Seychelles, Nigeria, and South Africa are the only African states with activated exchange relationships for CbCR that can receive some reports from other jurisdictions.

Second, the OECD CbCR system requires governments to adopt confidentiality conditions in domestic law in order to activate exchange relationships. This requirement has proven difficult to meet, given the significant resources required to make the necessary legislative changes. The relevant data security standards require expenditures that many developing countries simply cannot afford. If this data were made public, expensive and burdensome data security measures would not be necessary, eliminating a major barrier to access for developing countries.

Thirdly, limitations on the use of CbCR information severely reduce the benefits that such information can offer to developing countries. The OECD only allows collected information to be used for high-level transfer pricing risk analysis, but not for tax assessment or any other purpose. These limitations make the regime less effective, particularly for tax authorities with scarce audit and enforcement resources. Additionally, these limitations on the use of CbCR data contradict the purpose of the CbCR regime by opening the door to abuse, as tax experts point to these limitations as a way to get out of sharing tax data. As Kuldeep Sharma, a leading tax expert from India told the FACT coalition, "In dealing with very high-profile cases and upon requesting for CbCR information, the revenue authority used to get refusals from the company representatives (the Big Four accounting firms) on the premise that the CbCR scheme says it cannot be used to make an assessment or utilize the information during the APA proceedings."

To address these deficiencies with the OECD's regime outlined above and allow developing countries to fully access the benefits of CbCR, the Committee should prioritize greater tax transparency in the form of public CbCR. As the Secretary General noted, "Public transparency of country-by-country reports could be a solution to the lack of information flows to developing countries."<sup>7</sup>

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<sup>6</sup> Internal Revenue Service, "Country-by-country reporting jurisdiction status table", July 1, 2025, <https://www.irs.gov/businesses/country-by-country-reporting-jurisdiction-status-table>.

<sup>7</sup> U.N. Secretary General, "International coordination and cooperation to combat illicit financial flows : report of the Secretary-General", July 17, 2024, <https://digitallibrary.un.org/record/4018307?v=pdf>.

**b. The Committee should provide guidance supporting public CbCR**

The Committee should produce materials supporting the full disclosure and broader use of CbCR reports. Examples of helpful materials can include a handbook on mandatory public CbCR (based on the example of the recent handbook on wealth and solidarity taxes) and a toolkit on how to use CbCR in transfer pricing risk assessment. Such materials can be particularly helpful to developing country tax authorities currently frozen out of CbCR exchange networks. They would also help legislators, investors, watchdog organizations, and journalists to access and better understand CbCR information, resulting in greater tax transparency and more informed and evidence-based international tax policy debates.

Evidence shows that CbCR is a game-changer for those with access to it. An academic study of the impact of the EU public CbCR obligations for the banking industry found that the measure “provide(s) greater transparency and meaningful data that is otherwise unavailable and can help identify profit-shifting to tax havens by European banks.”<sup>8</sup> The same study found that public CbCR had disincentivized profit-shifting to low-tax jurisdictions and helped increase effective tax rates by 3.6 percent across the sector. Public CbCR for major MNEs across sectors may multiply these benefits for governments across the world.

**c. Public CbCR would be practical and highly valuable for tax authorities, particularly in developing countries.**

Developing nations face limitations to access and use of CbCR information under the confidential OECD regime, as outlined above. Public CbCR would address many of these challenges. By making CbCR data public, developing nation tax authorities would no longer be required to implement highly technical and expensive data security measures such as encryption, secure data transmission, and secure storage. With public CbCR, these limitations would be eliminated, thus giving each tax authority direct access to available information and expanding opportunities with respect to the use of the information. Additionally, it would help them to conduct much more effective tax risk assessments and better manage scarce audit and enforcement resources.

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<sup>8</sup> Eva Eberhartinger, Caren Sureth-Sloane, “Real effects of public country-by-country reporting and the firm structure of European banks”, March 2020, <https://www.econstor.eu/bitstream/10419/214906/1/1692603442.pdf>.

## **Supporting References**

FACT Coalition, ["How Multinational Corporate Tax Transparency Can Help Tax Administration and Enforcement in the Global South"](#), September 19, 2024.