March 15, 2019

Judy Kuszewski
Chair, Global Sustainability Standards Board
c/o Global Reporting Initiative
Barbara Strozzilaan 336
1083 HN Amsterdam
The Netherlands

RE: Exposure Draft of GRI Topic-Specific Standard: Tax and Payments to Governments

Dear Chair Kuszewski,

We write to offer our strong support of the exposure draft for the new Global Reporting Initiative (GRI) topic-specific standard, "Tax and Payments to Governments," published for comment by the Global Sustainability Standards Board. These standards, if adopted, would set a marker for a global trend toward transparency and accountability.

As organizations working for a fair and sustainable world, we have seen firsthand the harms caused by the tax dodging practices of multinational corporations. Globally, the Tax Justice Network estimates that corporate tax avoidance costs taxpayers $500 billion annually. Prior to passage of the 2017 U.S. tax law, the Tax Cuts and Jobs Act (TCJA), multinational corporations' profit shifting lowered U.S. corporate taxable income by about $300 billion a year, according to the Congressional Budget Office (p. 127). While reducing corporate tax revenue overall, mainly due to the large reduction in the U.S. corporate rate, TCJA included provisions that both increase and decrease corporate profit shifting. On net, CBO estimates that the law will only reduce profit-shifting by $65 billion, meaning corporations will still be avoiding paying taxes on $235 billion in profits each year. The opacity of corporate tax practices, coupled with the new rules, creates even greater opportunity for abuse and an unsustainable reliance on accounting tricks.

The abuse of tax havens presents several alarming problems for stakeholders. The loss of such large amounts of revenue puts pressure on lawmakers to either cut public services that are vital to a functioning economy or to unfairly shift the tax burden to other taxpayers, including those who are less able pay. Either choice leads to regressive fiscal regimes which exacerbate economic inequality — a metric that has been shown to undermine the long-term sustainability of economies and democracies. The pushback on corporate tax dodging has led to increasingly large judgments against companies that have continued to use practices that are no longer considered acceptable. Corporate tax avoidance also has undermined government revenues and thus given impetus to those seeking austerity measures in both the U.S. and European Union (E.U.)

Transparency will force companies to clean up their most questionable tax practices. We know this because the E.U. recently required large banks operating in member states to publicly report certain profit and tax information on a country-by-country level. According to a follow-up study by German academics, transparency alone, after accounting for all other factors, pushed the institutions to move away from their most aggressive tax avoidance schemes — resulting in a rise in their effective tax rates. While GRI takes no position on tax rates, credible standards should move companies to adopt sustainable practices. The move away from certain practices by these institutions suggest that some of the previous tax avoidance strategies were not sustainable.

The GRI's proposed standard provides stakeholders with necessary information to assess whether companies employ sustainable tax practices or if they are engaged in questionable transfer-pricing and other profit-shifting.

We support the requirements for public descriptions of tax strategies, decision making, and stakeholder engagement as well as the information on:

1. Number of entities;
2. Names of principle entities;
3. Primary activities of entities;
4. Number of employees;
5. Total revenues broken out by third-party sales and intra-group transactions of the tax jurisdiction and other tax jurisdictions;
6. Profit/loss before tax;
7. Tangible assets other than cash and cash equivalents;
8. Corporate tax paid on a cash basis;
9. Corporate tax accrued on profit/loss;
10. Reasons for any difference between corporate tax accrued on profit/loss and: (a) the tax due if the statutory tax rate is applied to profit/loss, and (b) the tax due if the statutory tax rate is applied to profit/loss before tax; and
11. Significant tax incentives.

The numbers in each of the above categories should reconcile with the global totals to limit the opportunity for accounting gimmicks to obscure an accurate representation of the data.

We urge GRI to quickly approve the standards as drafted without changes that would limit stakeholder access to important information. These standards will improve the sustainability of individual companies and the broader economy.

Thank you for your consideration of our views.

Sincerely,

ALTSEAN-Burma
Americans for Tax Fairness
Asia Initiatives
Center for American Progress
Financial Accountability and Corporate Transparency (FACT) Coalition
Global Financial Integrity
Institute on Taxation and Economic Policy
Patriotic Millionaires
Public Citizen
Take On Wall Street
Tax March