Pensions & Investment
Research Consultants Ltd

Submission by PIRC to the Consultation on Multinational Tax Integrity and Enhanced Tax Transparency

By email: MNETaxIntegrity@treasury.gov.au

Date: 1 September 2022

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About PIRC

Pensions & Investment Research Consultants Ltd (PIRC) is Europe's largest independent corporate governance and shareholder advisory consultancy with over 25 years' experience in providing proxy research services to institutional investors on governance and other ESG issues. Our clients encompass major institutional shareholders, faith-based investors, trade unions and other responsible investors.

PIRC obtained Fair Tax Mark Certification in 2017, demonstrating our belief that taxation is an important contribution to wider society, rather than a cost to be minimised.

In December 2021, PIRC launched a new collaborative investor initiative on Responsible Corporate Tax, in collaboration with the Centre for Corporate Tax Advocacy and Research (CICTAR). The initiative facilitates active engagements with multinationals on tax transparency and responsible tax – including the filing of shareholder proposals. Company adoption of the GRI Tax Standard, and specifically, public country-by-country reporting (CbCR), is a key focus of this initiative.

PIRC is currently coordinating the filing of shareholder proposals at Microsoft and Cisco, requesting that the companies produce a tax transparency report in line with the GRI Tax Standard. These proposals were filed by investors with over $350 billion in assets under management. This proposal follows the filing of a shareholder proposal at Amazon.com, Inc. in December 2021, which was supported by 21% of independent shareholders.[1]

Alongside the Amazon proposal, PIRC coordinated an investor sign-on letter to the US Securities and Exchange Commission (SEC). Investors with $3.6 trillion in assets under management signed onto this letter, expressing support for the GRI Tax Standard and public CbCR.[2]

In May 2022, PIRC published a tax brief outlining our expectations for companies on tax transparency and responsible taxation and how we intend to vote on tax issues.[3] As stated in this brief, PIRC expects companies to publish CbCR. Following this, PIRC intends to vote FOR shareholder proposals calling for public CbCR and vote AGAINST financial statements where companies to not publish CbCR.

PIRC is a member of the UNPRI and we endorse their submission to this inquiry. We also support the submissions by the FACT Coalition and CICTAR.

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[1] https://www.innovationaus.com/more-than-20-of-amazon-shareholders-vote-for-greater-tax-transparency/
[2] https://drive.google.com/file/d/1SXMM6viyv3uc0RYEuMeOMOsm5DHOO8yu/view?usp=sharing
[3] https://cictar.org/wp-content/uploads/2021/12/PIRC_TAX-BRIEF_FINAL.pdf

Terms of Reference Addressed in this Submission

This submission addresses **Part 3: Multinational Tax Transparency** of the Treasury consultation.

Background and Recommendations

A company's tax practices are financially material. While aggressive tax avoidance may increase profits in the short-term, it may also introduce significant risks that undermine investment returns in the medium- and long-terms.

At an asset level, risks may include:

- Reputational damage and loss of social license to operate.
- Reputational damage and heightened attention of tax authorities.
- Adjustment risk following successful investigation by tax authorities of whether a company's tax planning is compliant with the law.
- Inflated or misleading financial statements impacting fundamental valuations.
- Vulnerability to changes to tax regulation.[4]

Aggressive tax avoidance at scale may lead to macro-economic distortions with subsequent portfolio and systemic level risks that undermine the long-term performance of investments.

At a portfolio level, aggressive tax avoidance by one company may undermine fair competition between all companies in a sector. Aggressive tax avoidance may also have larger macro-economic impacts, by reducing money available for government spending on critical services and infrastructure, which enable long-term business and social sustainability and may erode the very social and intellectual capital on which the company itself relies.[5]

Investors need to be provided with sufficient, robust, comparable, and verifiable information to gauge a company's tax position, governance approach, and anticipate future prospects and risks to their holdings. A lack of transparency regarding corporate taxation impairs investment analysis and understanding of how companies are positioned in the short-, medium-, and long-terms.

PIRC's key recommendations and comments are:

- Mandate full country-by-country reporting (CbCR) as opposed to partial CbCR – i.e., information is disclosed for a limited set of jurisdictions. Companies should disclose CbCR for all jurisdictions where they operate. PRI does not believe partial CbCR is useful for investors, nor that it would meaningfully advance tax transparency or help achieve the Treasury's stated goals.
- The standards for mandating CbCR should align as much as possible with disclosure 207-4 (country-by-country reporting) of the GRI 207 standard.
- Mandatory reporting of CbCR information should apply as a minimum to multinationals already disclosing this information privately as soon as possible after any mandatory requirements become effective.

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[4] Morel, J. (2018), *Aggressive Tax Optimisation: what is the best ESG Approach,* p. 16 – 17*,* https://research-center.amundi.com/files/nuxeo/dl/11c94512-929d-4b88-9a23-792100a994bb.
[5] PRI (2020), Advancing Tax Transparency, p. 6.

Response to the Terms of Reference

Tax Transparency Reporting: the Current Approach in Australia

1. **Are there any specific features you would introduce to improve how MNEs publicly report tax information?**

PIRC recommends that Treasury mandate public country-by-country reporting (CbCR) that aligns with disclosure 207-4 (country-by-country reporting) of the GRI 207 standard.

Public CbCR enables investors to better:

- better assess tax risks and opportunities in their portfolio and provide robust accounting and visibility of high-risk transactions on which valuations rely;
- examine the economic scale of operations in different jurisdictions, validate companies' commitments against tax avoidance and identify those that are ahead of the curve in terms of corporate tax responsibility;
- raise questions with companies where tax structures and strategies do not align with economic value generated and therefore, facilitate more responsible corporate behaviour.[6]

Public CbCR will also allow responsible businesses to demonstrate that they are contributing positively towards society, the recovery from the pandemic and paying taxes in the countries where they create value, and on whose infrastructure, intellectual and social capitals they rely.

Leading companies are already reporting in line with the GRI Tax Standard, including Anglo American, Philips, Randstad, Vodafone, Royal Dutch Shell, NN Group, Ørsted and Newmont.[7]

In the Netherlands, 8% of the largest listed Dutch companies report against all or almost all GRI indicators – including CbCR.[8] A 2021 PWC report found that over 70% of DAX40 publish reporting that complies with at least one of the GRI indicators (PWC).[9]

Significantly, the GRI Tax Standard only came into effect on 1 January 2021. Before that date, much of the country-by-country-reporting occurred using OECD reporting standards and/or draft versions of the GRI Tax Standard. The OECD standards and the GRI standards are very closely aligned.[10] If country-by-country

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[6] Council of the European Union (2021), *Public Country-by-Country Reporting: Council Paves the Way for Greater Corporate Transparency for Big Multinationals*, https://www.consilium.europa.eu/en/press/press-releases/2021/09/28/public-country-by-country-reporting-council-paves-the-way-for-greater-corporate-transparency-for-big-multinationals/.

[7] Anglo American (2021), *Country-by-Country Reporting Publication 2020,* p. 2, https://www.angloamerican.com/~/media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2021/anglo-american-country-by-country-report-2020.pdf; Phillips (2021), *2020 Country Activity and Tax Report,* p. 6, https://www.results.philips.com/publications/ar20/downloads/pdf/en/PhilipsCountryActivityAndTaxReport2020.pdf; Randstad (2021), *Annual Report 2020,* p. 238, https://www.randstad.com/s3fs-media/rscom/public/2021-02/randstad-annual-report-2020.pdf, p. 238; Vodafone (2021), *Taxation and Our Total Economic Contribution to Public Finances 2019 and 2020,* , p. 11, https://www.vodafone.com/sites/default/files/2021-10/vodafone-tax-report-19-20.pdf; Shell (2020) *GRI Content Index,* p. 11, https://reports.shell.com/sustainability-report/2020/servicepages/downloads/files/gri-index-shell-sr20.pdf; Orsted (2021) *Annual Report 2021,* p. 123, https://via.ritzau.dk/ir-files/13560592/4751/6293/Annual%20report%202021.pdf; Newmont (2021), *GRI Content Index,* p. 223 – 224, https://s24.q4cdn.com/382246808/files/doc_downloads/sustainability/2020-report/Newmont-2020-sustainability-report-GRI-index.pdf.

[8] VBDO (2020), *Tax Transparency Benchmark 2020,* https://www.vbdo.nl/wp-content/uploads/2020/12/Tax-Transparency-Benchmark-rapport-20_DIG.pdf.

[9] PWC (2021*), Steuerliche Transparenz der DAX-40-Unternehmen im Jahr 2021: Eine Untersuchung der steuerlichen Transparenzberichterstattung in Deutschland anhand des Standards "GRI 207: Tax 2019"*, https://store.pwc.de/shop-api/products/by-code/steuerliche-transparenz-der-dax-40-unternehmen-im-jahr-2021/download?channel=PWC_DE_WEB.

[10] GRI (n.d.) *Comparison of GRI 207: Tax 2019 & OECD Action 13 BEPS Country-by-Country Report*, https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf.

reporting that aligns with either OECD BEPS or the GRI Tax Standard are included, there is a clear and observable global trend towards greater disclosure of corporate tax practices:

- 20% of the largest listed Dutch companies published CbCR in 2021, up from 13% in 2020.[11]
- 7% of 1380 of the largest listed global companies published CbCR in 2020.[12]

Public CbCR is included as a criterion in numerous ESG ratings and indexes. For example:

- Standard & Poor's (S&P)'s sustainability assessment methodology includes criteria based on the GRI Tax Standard and includes public CbCR.
- FTSE Russell's proprietary ESG Ratings and Data have tax transparency criteria, including public CbCR. These ratings input into range of FTSE's sustainable investment indexes.[13]
- MSCI ESG Research's ESG Rating model across the MSCI All Country World Index (ACWI) includes and tax transparency issue that evaluates the extent to which a company's estimated level of effective income tax rate may be misaligned with revenue-weighted statutory rates in its countries of operation.

Public Reporting of Tax information on a Country-by-Country Basis

2. How should large MNEs be defined for the purpose of enhanced public reporting of tax information? Would the Significant Global Entity definition be appropriate to use?

PIRC supports either of the following definitions of large MNEs:

- "Significant global entity", as defined under Subdivision 960-U of the Income Tax Assessment Act 1997 (ITAA 1997), which includes a Global Parent Entity (GPE) or a member of a group of consolidated entities for accounting purposes as a single group, where either the GPE or the group's annual global income is equal to or exceeds A$1 billion. It can be headquartered in Australia or overseas, with or without local operations.
- Revenue thresholds used by the Action 13 of the OECD BEPS and EU public CbCR reporting regime (entities with consolidated group revenue of at least EUR 750 million).

PIRC recommends Treasury adopt a definition that applies to both domestic and foreign-parented MNE groups, so long as any applicable connections with Australia are established. PIRC believes that the connections required under the EU standard are too onerous to be practicable for Australia as a single jurisdiction. Instead, PIRC recommends a lower threshold that might be triggered not only by Australian operations and established income reporting obligations OR sufficient contacts with Australia as a market jurisdiction. We support the FACT Coalition's response to this question.

3. Would you support an incremental (phased in) approach to mandatory tax transparency reporting for a broader range of entities, starting with large MNEs?

PIRC would support an incremental approach to mandatory tax transparency reporting if it applies to large MNEs (see our response to question 2) in the first phase. These companies are already required to report CbCR information to OECD tax authorities privately. Any increased reporting burden would therefore be negligible, while the benefit to investors would be significant.

[11] VBDO (2020), *Tax Transparency Benchmark 2020.*
[12] FTSE Russel (2021), Global Trends in Corporate Tax Disclosure.
[13] Ibid.

We would support a transition period for smaller entities that are not already required to provide country-by-country information to the tax authorities, providing them with sufficient time to set up the necessary systems to facilitate reporting.

Public Country-by-Country Reporting (EU Standard)

4. Should Australia mandate improved tax transparency regime in line with the EU's approach to public CbC reporting? If so, why?

a. What sorts of entities (based on revenue or entity structure) should this mandate apply to?

b. Please provide details of any compliance costs associated with adopting the EU's approach to public CbC reporting.

PIRC does not recommend that Australia mandate improved tax transparency in line with the EU's approach to public CbC reporting. PIRC is a member of the UNPRI, and we draw your attention to the recommendations made by the UNPRI to the EU in May 2021.[14]

As it stands, the EU legislation includes requirements for reporting on operations in the EU member states and in the EU list of uncooperative jurisdictions and aggregated information on all other countries of operation, for companies in scope. To be effective, the legislation should expand to include disaggregated reporting requirements for all countries of operation. Otherwise, the disclosure can limit visibility of high-risk transactions in non-EU countries and impair risk assessment for investors.

In addition, the EU framework for reporting could create a perverse incentive for multinationals to undertake profit shifting in other jurisdictions, where investors and other stakeholders may not have full view of activities.

Further, by mandating improved tax transparency regime in line with the GRI 207 rather than the EU regime, the compliance burden is reduced for companies not required to report in line with the EU regime. The GRI Tax Standard is closely aligned to reporting already required under OECD BEPS for large multinationals.[15]

The mandate should apply to large MNEs (as defined in our response to question 2) at a minimum.

5. If the EU CbC approach was mandated in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax and effective tax rate (ETR) per jurisdiction?

Companies should be required to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation. As detailed below, we support alignment with the reporting requirements in the GRI Tax Standard 207-4.

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[14] PRI (2021), *Public Country-by-Country Reporting (CbCR) Requirements in the EU,* https://dwtyzx6upklss.cloudfront.net/Uploads/u/m/t/investorsignonletteronpubliccbcr_signatories_final_758353.pdf.
[15] GRI (n.d.), *Comparison of GRI 207: Tax 2019 & OECD Action 13 BEPS Country-by-Country Report*, https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf.

Global Reporting Initiative – Tax Standard

6. Should the GRI tax standard be used as a basis for Australia to mandate MNE public CbC reporting? If so, why?

The GRI is the most widely used sustainability reporting standard globally. The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency and the impact of tax avoidance on governments' ability to fund services and support sustainable development. The rigorous development process included input from companies. It is the first comprehensive, global standard for public tax disclosure and includes:

- Description of a company's approach to tax
- Tax governance, control, and risk management
- Stakeholder engagement and management of concerns related to tax
- Public country-by-country reporting (CbCR) of business activities.[16]

During the consultation process, 110 stakeholders submitted feedback, of which 55% represented the investor community with jointly invested assets in excess of $2.5 trillion.[17]

c. What sorts of entities (based on revenue or entity structure) should this mandate apply to?

See our response to questions 2 and 3.

d. Please provide details of any compliance costs associated with adopting the GRI tax standard approach to public CbC reporting.

Disclosure 207-4 (country-by-country reporting) of the GRI 207 standard is aligned to a significant extent with the OECD Action 13 BEPS.[18] As evidenced by those companies already disclosing CbCR in the GRI format and disclosing CbCR to their private authorities (see our response to question 1), PIRC believes that these minor differences can be easily navigated by large multinationals, with minimal additional compliance burden while bringing internal efficiencies, strengthening accountability and limiting future liabilities.

7. If the GRI standard was used as a basis for mandating CbC reporting in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax and effective tax rate (ETR) per jurisdiction?

PIRC recommends that the information required to be disclosed aligns as much as possible with disclosure 207-4 (country-by-country reporting) of the GRI 207 standard. This includes related party expenses (referred to as "Revenues from intra-group transactions with other tax jurisdictions" in GRI 207).

PIRC also supports the reporting of qualitative information about a company's tax strategy and governance, as outlined in GRI 207-1 to 207-3.

One disclosure requirement in the disclosure 207-4 (country-by-country reporting) of the GRI 207 standard that is particularly useful for investors is a reasoned explanation on the "Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/ loss

[16] GRI (2019), *GRI 207: Tax,* https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf.
[17] GRI (2022), *We Need to Talk about Tax,* https://www.globalreporting.org/media/amyaycyg/gri-perspective-we-need-to-talk-about-tax.pdf
[18] GRI (n.d.) *Comparison of GRI 207: Tax 2019 & OECD Action 13 BEPS Country-by-Country Report*, https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf.

before tax". PIRC stresses the importance of this information to investors. A detailed explanation with both qualitative (required by the GRI 207-4) and quantitative disclosures (not required by the GRI 207-4 but recommended) can more clearly and meaningfully explain the difference between what a company has paid in taxes and what it is required to pay by statute.

While reconciliation provided by companies may be in accordance with accounting requirements, it is often lacking in detail, making it difficult for investors to understand the consequences of factors such as research and development credits and other tax advantages. A clear tax reconciliation allows investors to see what are the material incentives or arrangements that the company makes use of to lower its tax liabilities.[19]

Tax Transparency Code

8. **Would legislating the Tax Transparency Code to include CbC reporting provide a suitable basis for a mandatory transparency reporting framework? If so, why?**

   a. **What sorts of entities (based on revenue or entity structure) should this mandate apply to?**

   b. **Please provide details of any compliance costs associated with adopting the Tax Transparency Code for public CbC reporting.**

9. **If the Tax Transparency Code was used as a basis for mandating CbC reporting in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax, and effective tax rate (ETR) per jurisdiction?**

PIRC does not support the use of the Tax Transparency Code as the basis for mandating CbCR. The Tax Transparency Code does not have a prescribed template or format for the required content, meaning that the published information is not suitable for comparison between companies.

The TTC only requires companies to provide a "tax contribution summary for corporate taxes paid". It does not require companies to report on revenues or profits. Without this information, investors are unable to determine a company's effective tax rate and how it compares to the statutory rate in each country of operation. This information is crucial for investors who are seeking to understand the risks inherent in a company's tax structure.

As noted above, PIRC supports the recommended and required disclosures in the GRI Tax Standard.

Standardised Public CbC Reporting

10. **How should entities be required to publicly report their CbC information? Would publication in their annual report be adequate?**

PIRC does not have a preference on whether CbC information is included in a company's existing reporting (for example, in its annual report) or as a standalone document. However, the information must be provided in a timely manner and made readily available to shareholders and stakeholders. Disclosures should be machine-readable to facilitate analysis and comparison between reporting entities.

[19] PRI (2015) *Evaluating and Engaging on Corporate Tax Transparency: An Investor Guide,* https://www.unpri.org/Uploads/t/r/l/PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf

11. Should this CbC data be verifiable (via independent audit, certification letter from CFO, reconcilable with financial accounts etc)?

PIRC believes that the reconciliation of disclosures with financial accounts is important for investors.[20] The disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard specifies that the reporting organisation shall reconcile the data reported for CbC information with the data in the audited financial statements and provide an explanation for any differences.

12. What role should Government play in reviewing, publishing and aggregated analysis of country-by-country data?

The government already publishes aggregated analysis of CBC information provided privately under OECD BEPS. We support the government continuing to play this role and to collaborate internationally on tax transparency and reporting initiatives.

13. What is the most appropriate way to ensure consistent (standard) reporting by MNEs of their public CbC information?

As noted above, we support the use of the GRI Tax Standard as the basis for reporting. Companies should report this information in a machine-readable format.

14. When should mandatory tax transparency reports fall due? For example, should they occur at the same time as annual reports are produced, tax returns lodged, or be staggered to spread compliance burdens?

Due dates for the mandatory tax transparency reports should be consistent with the company's existing annual reporting obligations.

15. Are there any transitional arrangements that would need to be considered prior to commencement of a legislated reporting requirement? What would these be?

As discussed above, PIRC supports incremental implementation of reporting requirements, whereby requirements come into force for large MNEs before being extended to smaller companies.

Mandatory reporting of material tax risk to shareholders

16. How should entities disclose to shareholders whether they have a material tax risk?

PIRC is supportive of improved disclosures on material tax risks. Publication of CbC information will greatly facilitate the identification of tax risks by shareholders. However, companies should complement the CbC information disclosed with qualitative information, for example, in the management notes.

PIRC supports previous recommendations by the UNPRI that comprehensive corporate disclosures should give an overview of tax-related risks.[21] These recommendations included specific recommendations on risk management, namely that disclosures should:

- Include a tax policy signed by a board-level representative outlining the company's approach to taxation, governance structure, and how this approach is aligned with its business and sustainability strategy.

[20] PRI (2015) *Evaluating and Engaging on Corporate Tax Transparency.*
[21] PRI (n.d.), *Investors' Recommendations on Corporate Income Tax Disclosure,* https://www.unpri.org/download?ac=1877&adredir=1.

- Give an overview of tax strategies, tax-related risks, intercompany debt balances, material tax incentives, country by country activities, current disputes with tax authorities and resolution of most notable past tax-related controversies.
- Provide evidence of tax governance as part of the audit and risk oversight mandate of the board and management of the tax policy and related risks.

PIRC has not defined what constitutes a "material tax risk", as this depends on each company's specificities and circumstances. This should be left to the reporting entity to define. If the reporting entity considers that it faces no material risk, then a brief statement explaining this should suffice.

However, there are several disclosures that can be categorised as tax risks that are of relevance for investors: disputes with tax authorities, impact of upcoming legislation, expiring of material incentives etc.

Disclosure of significant uncertain tax positions would be useful for investors to identify tax risks. The implementation guidance for GRI 207 recommends the reporting entity to disclose significant uncertain tax positions and disclose the value of the tax positions in line with the audited consolidated financial statements or the financial information filed on public record and a description.

17. What would be an appropriate channel for entities to disclose if they are doing business in a low-tax jurisdiction? Are disclosures of this nature already released by organisations? Could existing mechanisms be utilised for disclosures of this nature?

The GRI Tax Standard requires companies to publish:

- All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. (207-4-a)
- Names of the resident entities for each tax jurisdiction reported in Disclosure 207-4-a. (207-4-b-i)
- Corporate income tax accrued on profit/loss. (207-4-b-ix)
- Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax. (207-4-b-x)

When taken together, these indicators provide investors with the ability to make their own assessment of whether companies are doing business in a low tax jurisdiction, and to ask questions of companies about how they are managing their associated risks. The qualitative information provided by companies under 207-4-b-x, allows companies to explain why they may have lower tax payments in particular jurisdictions.

Multinationals with operations in low-tax jurisdictions that disclose CbC information for all subsidiaries automatically disclose information of this nature because the CbC information includes information for those subsidies located in low-tax jurisdictions. Furthermore, some of these multinationals who publish CbC information supplement their quantitative disclosures with a qualitative explanation on the nature of their businesses in low tax jurisdictions (reinsurance operations, holdings, joint ventures, intellectual property etc.) and any potential commitments. This includes companies like BP, Rio Tinto or Vodafone.[22]

18. What types of high-risk tax arrangements should be disclosed to shareholders? Alternatively, are the existing definitions or PCG guidance that should be used to declare higher tax risk arrangements?

Disclosure of high-risk tax arrangements is of high relevance to investors. CbC information might shed some light on some of these arrangements (i.e., CbC information for all subsidies would show if significant profits are declared in certain low-tax jurisdictions but not in high-tax jurisdictions, prompting questions from stakeholders). Clear disclosures from multinationals on a proactive basis would facilitate identification of these arrangements by investors. The PRI has identified the disclosure of high-risk tax transactions or arrangements as useful to illustrate the company's actual level of risk appetite in practice. While many companies referred to their risk appetite in their tax disclosure, they rarely provide examples to support their views of acceptable and unacceptable tax practices.

The GRI 207 recommends that reporting entities disclose the balance of intra-company debt held by entities in the tax jurisdiction, and the basis of calculation of the interest rate paid on the debt. For investors, disclosures on intra-company debt will help understand whether companies are relying on excessive interest deductions to lower their tax rates and reassure investors that companies are well placed to respond to tax developments relating to interest deductibility.[23]

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[22] BP (2020), *Tax Report 2020,*
https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-tax-report-2020.pdf
Rio Tinto (2021), *Taxes Paid, Our Economic Contribution 2021,* https://www.riotinto.com/-/media/Content/Documents/Invest/Reports/Taxes-paid-reports/RT-Taxes-paid-2021.pdf?rev=25a024e671464d65818eaf711b2127f4;
Vodafone (2020), *Taxation and our Total Economic Contribution to Public Finances: 2019 and 2020,*
https://www.vodafone.com/sites/default/files/2021-10/vodafone-tax-report-19-20.pdf.

[23] PRI (2015) Evaluating and Engaging on Corporate Tax Transparency.

The GRI 207 recommends that multinationals disclose significant uncertain tax positions. For investors such disclosures are essential because uncertain tax positions that have not been agreed with tax authorities may be rejected in part or in whole, which constitutes a significant risk.[24]

The ATO has practical compliance guidelines which set out parameters to determine whether transactions are classified as high risks. To alleviate reporting burden, the Treasury could use such guidelines to mandate disclosure of high-risk transactions.

19. Should a threshold apply to entities mandatorily reporting tax haven exposure to shareholders? If so, what would be an appropriate threshold and why?

The same threshold defined for mandatory CbCR should apply. For companies without overseas operations, a brief statement explaining that they don't have any overseas subsidiaries should suffice.

[24] PRI (2015) Evaluating and Engaging on Corporate Tax Transparency.