Organisation for Economic Co-operation and Development (OECD)
International Co-operation and Tax Administration Division
Centre for Tax Policy and Administration.

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SUBJECT: Submission to the OECD/G20 Base Erosion and Profit Shifting Project Public consultation document: Review of Country-by-Country Reporting (BEPS Action 13)

This following submission has been developed by members of GRI Tax Technical Committee who also developed the content of GRI's reporting standard on tax, *GRI 207: Tax 2019* (*GRI 207*). *GRI 207* is the first global reporting standard to combine management approach disclosures on tax strategy, with public country-by-country reporting of business activities, revenues, profit and tax.

We would like to commend the OECD on holding public consultation on the review of Country-by-Country Reporting (BEPS Action 13). We recommend that BEPS Action 13 align with *GRI 207* in particular with Disclosure 207-4 Country-by country-reporting.

Development of GRI 207

In 2017, the Global Sustainability Standards Board (GSSB), GRI's independent standard setting body, initiated a project to develop new disclosures related to tax. This project was in response to growing calls for increased corporate tax transparency from a range of stakeholders, including investors, governments, civil society organizations, media, and the public.

GRI 207 was developed by a multi-stakeholder technical committee of tax experts, investors, corporate tax directors, labor representatives, and members of other mediating institutions. The development process was overseen by the GRI's independent standards board, the Global Sustainability Standard Board (GSSB), following a transparent and inclusive process in the public interest. Between December 2018 and March 2019, an exposure draft of the Standard was released for public comment. Over 80 submissions were received from approximately 110 organizations across business, investment institutions, civil society, labor and mediating institutions. GRI also held in-person consultations with companies and investors in the development of the standard.

The public comments and in-person consultations confirmed strong backing for tax transparency by investors in particular. Over 50% of the submissions received from organisations, were from some of the world's largest investment organizations who collectively manage assets worth in excess of 2.5 trillion US dollars globally.

GRI 207 was released in late 2019 and includes management approach disclosures on how an organization manages tax, as well as a topic-specific disclosure on country-by-country reporting of financial, economic and tax data. These disclosures enable stakeholders to understand the principles and practices an organization uses to manage its tax obligations and make more informed judgments about how the taxes paid align with the economic substance of an organization across the tax jurisdictions in which it operates.

Recommendations

In review of the OECD/G20 Base Erosion and Profit Shifting Project Public consultation we recommend that OECD align the review of BEPS Action 13 with *GRI 207*. Alignment with *GRI 207* will enable organizations to better prepare for public reporting of tax information and ensure consistency of reporting requirements.

We encourage the OECD to align with GRI 207 on the following areas:

1. Require public reporting of tax information

We recommend that the OECD improve the transparency of corporate tax practices by requiring information reported under BEPS Action 13 to be made publicly available. *GRI 207* provides disclosures specifically designed for public disclosure of tax information. Alignment between *GRI 207* and BEPS Action 13 will support organizations to move towards their public reporting goals.

We believe that public reporting on tax increases transparency and promotes trust and credibility in the tax practices of organizations and in the tax systems. It enables stakeholders to make informed judgments about an organization's tax positions. Tax transparency also informs public debate and supports the development of socially desirable tax policy.

Stakeholder support for public reporting of tax information was expressed consistently during the development of *GRI 207*. For example, as part of their public comment submissions, representatives from the investor constituency confirmed that at present they lack the disclosures necessary to assess the risks associated with corporate tax practices and inform their engagement and investment decisions. They expressed strong support for the principle of tax transparency and suggested that public country-by-country reporting will better enable investors to assess and anticipate risks, including whether companies are seeking to generate profits by creating sustainable economic value through their core business activities or by pursuing tax avoidance strategies that may expose them to legal, financial, regulatory and reputational consequences.

2. Threshold for reporting

Organizations reporting using the GRI Standards are required to report on *GRI 207* if tax is identified to be a material topic. This means that tax can reasonably be considered important for reflecting the organization's economic, and social impacts. The materiality approach means that there is no minimum threshold for reporting and that it is the responsibility of the organization to determine whether the topic of tax is material.

We believe that the threshold for reporting under BEPS Action 13 should reflect this approach. In principle, public country-by-country reporting can be undertaken by any organization regardless of its size or the number of jurisdictions in which it operates. In addition, organizations may already report some of tax information in their audited financial statements or financial information filed on public record. Some technical committee members suggested that BEPS Action 13 threshold could look to the revenue threshold for large companies provided by the European Union as an applicable threshold.

3. Sources of data

GRI 207 includes the requirement to reconcile the data reported for revenues from third-party sales, profit/loss before tax, tangible assets other than cash and cash equivalents, and corporate income tax paid on a cash basis with the data stated in its audited consolidated financial statements, or the financial information filed on public record. Reconciliation of this information is critical to ensuring the quality of the information disclosed in country-by-country reporting. This requirement is not specified in the current BEPS Action 13. However, the organization's audited consolidated financial statements (or other financial information filed on public record) are an existing publicly available source of information. To ensure credibility and public confidence in the information reported, we recommend that reconciliation of this data to the financial statements is included as a requirement in BEPS Action 13.

Thank you for the opportunity to engage on the review of BEPS Action 13. We look forward to opportunities to discuss these issues further. Should you have any questions regarding our submission, please contact tax@gloablreporting.org.

Yours Sincerely,

Daniel Bertossa, Alex Cobham, Richard Murphy

Members of the *GRI 207: Tax 2019* Technical Committee.