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Submission from Attac Ireland to the Department of Jobs, Enterprise and Innovation on the European Commission Proposals on public tax transparency rules for multinationals.

Attac Ireland wish to thank the Department of Jobs, Enterprise and Innovation for the opportunity given to us to comment on the EU Commissions' proposal.

We agree with the Commission that public transparency on taxation is an important part of companies' corporate social responsibility.

This is why we believe that public transparency on taxation is an absolute precondition to the signing of any multinational trade treaty by the EU. Indeed, the economist Gabriel Zucman argues that it makes no sense to talk free trade while totally disregarding tax issues.¹ At the moment, State Parties to trade treaties are expected to offer guarantees to investors and to be bound by transparency requirements without any corresponding obligations for investors, in particular in the area of tax. In this context, the threshold of a turnover in excess of EUR 750 million for public country by country reporting is completely arbitrary, as enterprises covered by trade treaties are not limited to such a threshold.

As far as we are concerned, all multinational corporations, of whatever size, should be covered by the Directive. This would also "help to create fairer competition between multinational companies and those trading only in one market."² As the EU Commission points out: "Studies have shown that a cross-border company pays on average 30% less tax than a company active in only one country."³

¹ <http://www.theguardian.com/commentisfree/2015/oct/11/inequality-will-continue-until-corporations-stop-avoiding-tax>

² European Commission Fact sheet. Introducing public country by country reporting for multinational enterprises.

³ Same as above.

We also believe that the distinction made by the Commission between tax jurisdictions that do not abide by tax good governance standards (so-called tax havens) and others is unsustainable as it is notoriously difficult, if not impossible, to establish a universally agreed list of such jurisdictions. For instance, even given that

- “The US has refused to join the trend for multilateral exchange of information”⁴;
- “The current US legal framework does not allow its financial institutions to collect beneficial ownership information for all relevant cases covered by the OECD’s global automatic exchange of information standard”⁵;
- The rules announced by the US on 5 May to address these limitations still retain many shortcomings;⁶

is it conceivable that the EU would consider including the US in a list of jurisdiction that do not abide by tax good governance standard?

Therefore, in the interest of fairness and for the sake of tax transparency, disaggregated data has to be provided for all third countries. The administrative burden of such a country by country report would not be excessive as the EU Commission points out that: “Companies in OECD countries are already required to disclose such information to their tax authorities.”⁷

⁴ http://www.greens-efa.eu/fileadmin/dam/Documents/TAXE_committee/The_US_as_a_tax_haven_Implications_for_Europe_11_May_FINAL.pdf

⁵ Same as above.

⁶ Same as above: “Final rules to address these limitations have been announced on May 5th, 2016 although financial institutions must comply with them only by May 11th, 2018. However, the final rules still have the same problems that the IMF identified regarding the 2014 version of the rules so they will not fix all the problems. Remaining shortcomings include: some entities will still not be covered (i.e. insurance companies), the definition of ‘beneficial owner’ is incomplete (it does not include the ‘control through other means’ test, meaning that if you cannot identify at least one person owning 25% or more of the shares, financial institutions should try to find someone who controls the company through other means, before identifying only someone with a managerial position -who may be a nominee director), the verification of information would rely mainly on customer’s own certification, information on beneficial owners would be required for new accounts only (not for existing ones) and it will not need to be updated after the first time of collection, unless the financial institution becomes aware of changes as part of monitoring for risks. In addition, trusts will not be required to provide beneficial ownership information unless they own enough equity in an entity, such as a company, required to provide this information.”

⁷ European Commission Fact Sheet. Introducing public country by country reporting for multinational enterprises.

In conclusion, a proposal including the EUR 750 million threshold or demanding only disaggregated data from third Parties falls short of truly public country by country reporting in our eyes.