IFA SUBMISSION ON EUROPEAN COMMISSION PROPOSALS ON PUBLIC TAX TRANSPARENCY RULES FOR MULTINATIONALS

Introduction

The Irish Farmers' Association (IFA) is the representative organisation of over 75,000 members throughout the country and is the recognised voice of Irish farmers in Europe and internationally. The objective of IFA is to provide focused leadership to deliver improved income and living standards for all farm families. The Association promotes the ongoing development and competitiveness of Irish agriculture and the food industry, which is making an important contribution to Ireland's economic recovery.

IFA has lobbied for many years on the need for regulation of the retail sector, a rebalancing of power in the food supply chain and greater transparency on prices and margins for all actors across the supply chain.

The prices and margins received by farmers across the EU are published in detail. By contrast, there has been very little transparency on margins required of larger businesses in the food supply chain, resulting in an imbalance of information and bargaining power between the different groups.

IFA welcomes the European Commission's proposals to increase transparency rules for multinationals on taxation, turnover and profit and strongly urges the Irish government and MEPs to support their passage through the European Council and the European Parliament.

Key Points

Maintaining competitiveness while increasing transparency
In its submission on the Competition and Consumer Protection Bill 2014, IFA argued that to improve transparency and to re-balance bargaining power in the food supply chain, the Bill should have provided for the disclosure of profits in the Irish market by large retail multiples.

The stated reason by Government for not inserting this requirement into the legislation was that it would be unfair to require this level of financial disclosure for undertakings operating in one sector only. At a broader level, it was believed that introducing this requirement for undertakings in the Irish market only, and not in other EU Member States, would undermine their competitiveness. This could potentially negatively impact on Foreign Direct Investment decisions into Ireland.

IFA believes that the recent EU Commission proposals remove these concerns, as it is proposed that any multinational company, European or not, active in the EU single market, with a turnover of €750m will have to comply with the proposed additional transparency rules. A multinational company operating in the Irish market will have the same reporting requirements as one operating in any other EU Member State.

The information to be disclosed on a country-by country basis, includes:

- The nature of the activities
- The number of employees
- The total net turnover made, including with third parties as well as between companies within a group
- The profit made before tax
- The amount of income tax due in the country and the amount of tax actually paid during that year; and
- Accumulated earnings.

Uncovering market failures

IFA believes that the requirement for companies to publish their information on a country-by-country basis, and in third party jurisdictions, will remove the argument that affected undertakings will be placed at a commercial disadvantage to their international competitors.

It has long been believed that certain retail multiples have generated higher than normal profits in the Irish market than in their operations in other Member States. However, until now, it has not been possible to validate this, as the group profits published mask the profit margins in different jurisdictions. The EU Commission notes this in its FAQs, stating '*it can be complicated and sometimes costly to reconstitute information regarding a group's operations per country on the basis of financial statements published by different subsidiaries*[1]*'.*

The transparency that will arise from the publication of this information will expose market failures that may exist in individual Member States. For example, the generation of supernormal profits by subsidiaries of the same company in one Member State rather than another may indicate a lack of competition in that market, and the potential for anti-competitive practices.

The financial disclosure requirements will provide other undertakings in the supply chain – e.g. suppliers in the grocery chain – with accurate information on which to base negotiations. It will also provide consumers with information on the breakdown of the final retail price.

[1] http://europa.eu/rapid/press-release_MEMO-16-1351_en.htm, at 12th April 2016