

Paving the Way for Increased Tax Transparency

A Consultation on the Draft Reporting
Standard on Tax and Payments to
Governments

Thursday 31st January 2019
Brussels, Belgium



Program



- 10:30 Welcome, Olivier Boutellis-Taft, CEO, Accountancy Europe
- 10:40 Presentation of the new draft Standard on Tax and Payments to Governments, Bastian Buck, Chief of Standards, GRI & Mia d'Adhemar, Manager Standards, GRI
- 11:10 The Standard and the existing global tax reporting landscape, Eelco van der Enden, Tax Policy Group, Accountancy Europe
- 11:25 Q & A / Discussions
- 12:20 Wrap up and closure, Bastian Buck, Chief of Standards, GRI
- 12:30 Networking lunch
- 13:30 End



GSSB Global
Sustainability
Standards Board



STANDARDS

Tax and Payments to Government Standard

Public comment on exposure draft

Bastian Buck, Chief of Standards, GRI
Mia d'Adhemar, Manager Standards, GRI



Who We Are

We are an international **independent** organization that has pioneered **sustainability reporting** for two decades.

The GRI Standards represent **global best practice** for reporting sustainability information – enhancing its comparability and quality.



**DRIVING GLOBAL CHANGE
SINCE 1997**



GRI's reach



120+ policies across **58** countries and regions reference GRI

75% of the largest **250** companies in the world use GRI's sustainability reporting framework



22

of the Bloomberg **50** companies use GRI to report

33,000+

Participants trained through GRI Certified Training Courses

540 

organizations from **68** countries active in the GRI GOLD Community



46,000

reports registered in the GRI Sustainability Disclosure Database

around **100** 

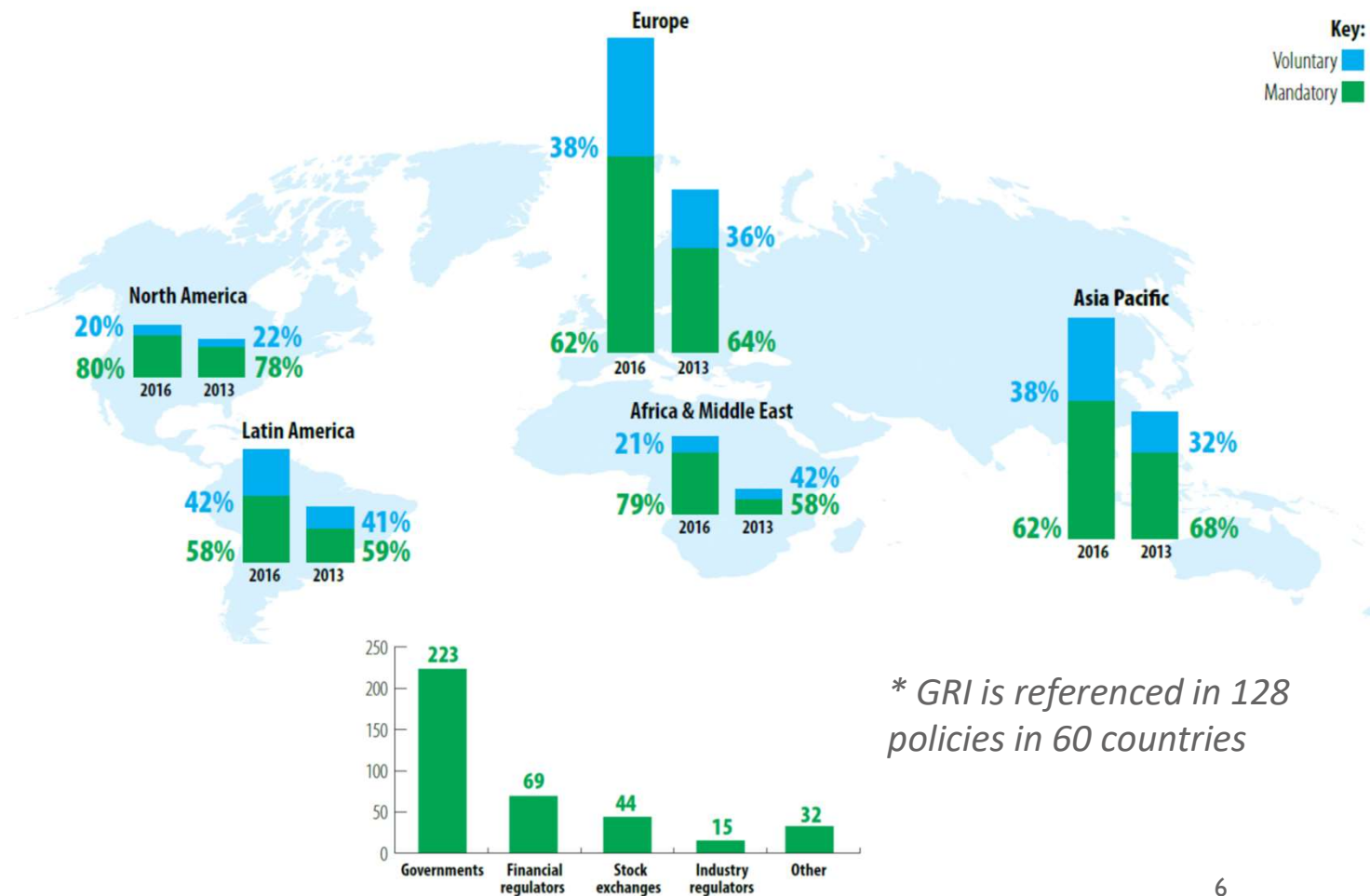
training partners across **57** countries offer GRI Certified Training Courses

315

of the FT Europe **500** companies use GRI to report

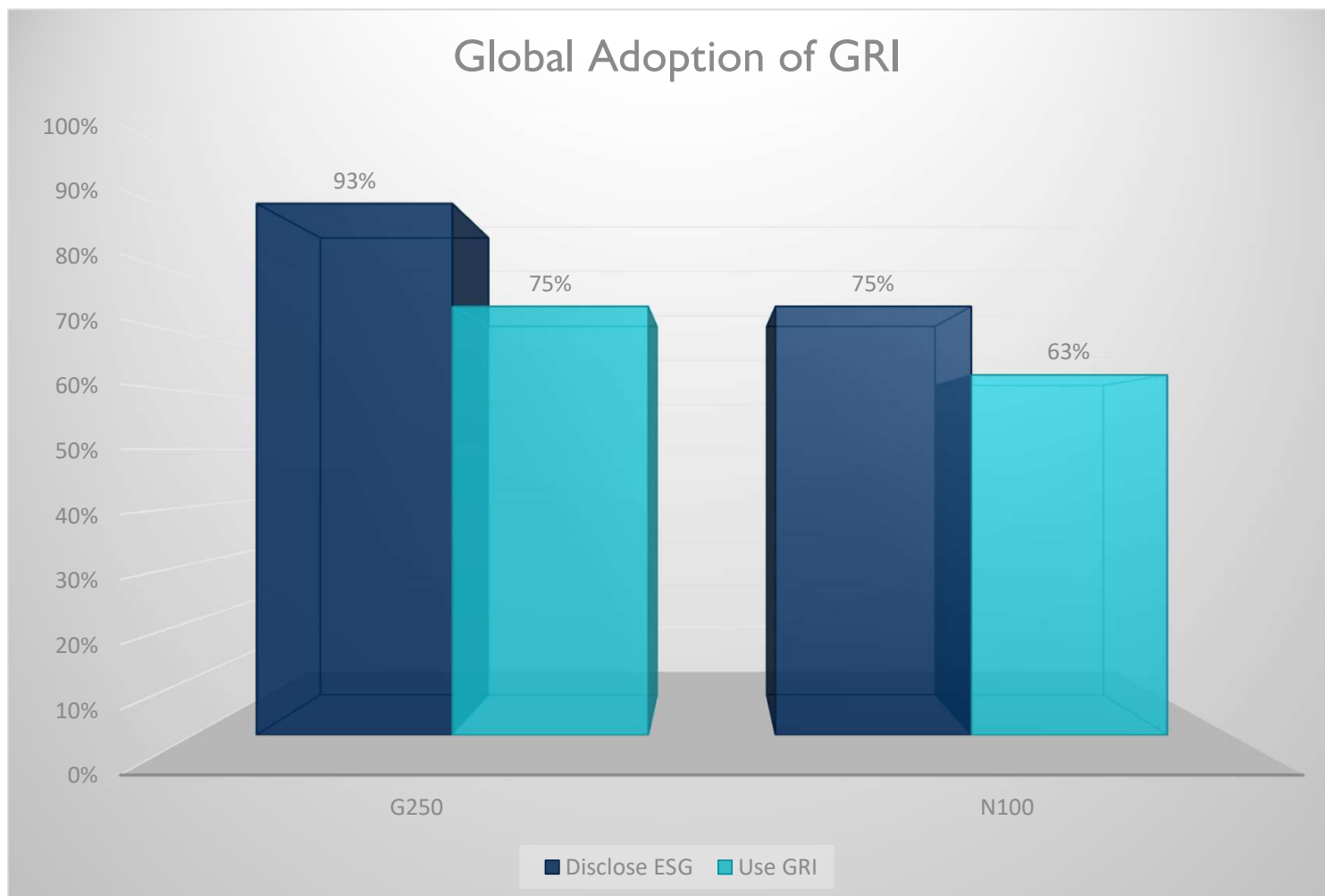
Policy

ESG disclosure is increasingly mandated*



* GRI is referenced in 128 policies in 60 countries

Converging on a Single Global ESG Standard



G250 – Largest 250 companies in the world by revenue

N100 – Largest 100 Companies by revenue in 49 countries



Some Stock Exchanges Referencing GRI





Crossing Over

GRI based disclosures in Capital Markets across the World



94%

Spanish IBEX 35 Index
use GRI for their ESG disclosure

80%

French Stock Exchange CAC 40 Index
use GRI for their ESG disclosure

78%

United States Dow 30
use GRI for their ESG disclosure

38%

United Kingdom FTSE 100 use GRI for their
ESG disclosure (the most used Standard)



About the GRI Standards

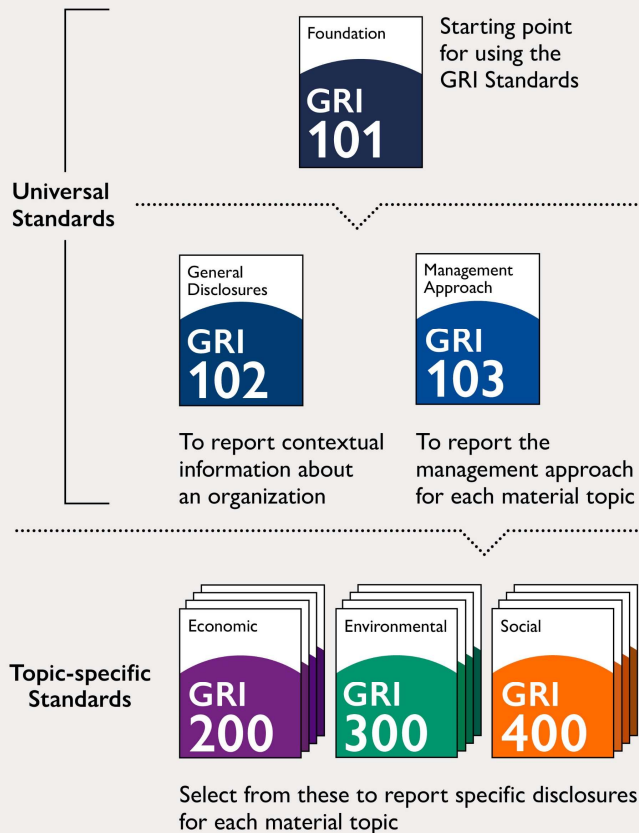


- The GRI Sustainability Reporting Standards are designed to help communicate about an organization's impacts on the economy, the environment, and society
- The GRI Standards are developed through a **transparent, multi-stakeholder** process, following the Due Process of the Global Sustainability Standards Board (GSSB) – GRI's independent standard-setting body





Overview of the GRI Standards



- Structured as a set of interrelated, modular standards
 - 3 universal Standards that apply to every organization preparing a sustainability report
 - 33 topic-specific Standards (on e.g., water, occupational health and safety, anti-corruption) for reporting on the identified material topics
- Organizations select and use only the relevant topic-specific Standards, based on their material topics
 - reflect the reporting organization's significant economic, environmental, and social impacts; or
 - substantively influence the assessments and decisions of stakeholders.

Tax and Payments to Governments

Project overview



- In 2017, the Global Sustainability Standards Board (GSSB) initiated a project on tax and payments to governments.
- The aim of this work is to:
 - develop new, specific disclosures related to tax and payment to governments, which will be considered for incorporation into the GRI Standards.
 - promote greater transparency on a reporting organization's approach to taxes, including potential elements such as tax strategy, governance, and information on actual taxes paid or payments to governments.

Tax and Payments to Governments

Project overview



- Since January 2018, a multi-stakeholder Technical Committee has been working to develop a draft of a new topic-specific Tax and Payments to Governments Standard.
- A preliminary draft Tax and Payments to Governments Standard was ‘field tested’ in July and August 2018.
- Public exposure draft approved by the GSSB on 29 November 2018.
- The draft is now open for public comment for 90-days, until 15 March 2019.



Technical Committee



Members:

- Daniel Bertossa, Public Services International France
- Alex Cobham, Tax Justice Network, UK
- Andy Cale, Vodafone Group Plc, UK
- Eelco van der Enden, Tax Policy Group, Accountancy Europe and PwC, Netherlands
- Richard Murphy, City University, London, and Tax Research UK, UK
- Vaishnavi Ravishankar, UN PRI, UK
- Rob Wilson, MFS Investment Management, USA

Overview of proposed disclosures



The first global standard to combine management approach disclosures on tax strategy, with public country-by-country reporting of income, taxes, and business activities.

Management approach disclosures

Disclosure 1- Approach to tax and payments to governments

Disclosure 2- Tax governance, control, and risk management

Disclosure 3- Stakeholder engagement and management of concerns related to tax and payments

Topic-specific disclosures

Disclosure 4- Entities and activities by tax jurisdiction

Disclosure 5- Country-by-country reporting

Each disclosure can have additional requirements on how to compile or present the information, along with recommendations (e.g. aspirational/ best-practice approaches), and guidance

Disclosure XXX-1

Reporting requirements



- a. A description of the approach to tax and payments to governments, including:
 - i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;
 - ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;
 - iii. the approach to regulatory compliance described in the tax strategy;
 - iv. how the tax strategy is linked to the business and sustainable development strategies of the organization and to the broader economic needs of the countries in which the organization operates.

Disclosure XXX-2

Reporting requirements



- a. A description of the tax governance and control framework, including:
 - i. the governance body or executive-level position within the organization accountable for compliance with tax strategy;
 - ii. how the stated approach to tax and payments to governments or tax strategy is embedded within the organization;
 - iii. the approach to tax risks, including how risks are identified, managed, and monitored;
 - iv. how compliance with the tax governance and control framework is evaluated.
- b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to taxes.
- c. A description of the assurance process for disclosures on tax and payments to governments, including, if applicable, a reference to the assurance report, statement, or opinion.



Disclosure XXX-3

Reporting requirements



- a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax and payments to governments, including:
 - i. the approach to engagement with tax authorities;
 - ii. the approach to public policy advocacy on tax and payments to governments;
 - iii. processes for collecting and considering the views and concerns of external stakeholders.

Disclosure XXX-4

Reporting requirements



- a. All tax jurisdictions where the entities included in the organization's audited financial statements, or in the financial information filed on public record, are resident for tax purposes.
- b. For each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:
 - i. Number of entities;
 - ii. Names of the principal entities;
 - iii. Primary activities of the entities;
 - iv. Number of employees.



Disclosure XXX-4

Reporting recommendations



... should report the following additional information:

- 1.3 Total employee remuneration for each tax jurisdiction in which the organization has resident entities.

Disclosure XXX-5

Reporting requirements

... for each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

- a. Revenues by:
 - i. third-party sales;
 - ii. intra-group transactions of the tax jurisdiction with other tax jurisdictions.
- b. Profit/loss before tax.
- c. Tangible assets other than cash and cash equivalents.
- d. Corporate tax paid on a cash basis.
- e. Corporate tax accrued on profit/loss.
- f. Reasons for the difference between corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.
- g. Significant tax incentives.

Disclosure XXX-5

Reporting recommendations



...should report the following additional information for each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

- 1.5.1 Taxes withheld and paid on behalf of employees;
- 1.5.2 Taxes collected from customers on behalf of a tax authority;
- 1.5.3 Industry-related and other taxes or payments to governments;
- 1.5.4 Significant uncertain tax positions;
- 1.5.5 Balance of intra-company debt held by entities in a tax jurisdiction and the average interest rate paid on that debt.



Applying the Standard



- Reporting organization will use this Standard if tax & payments to governments is identified as a ‘material topic’ for that organization.
- Reasons for omission can be used if an organization cannot report a disclosure that is required for reporting in accordance with the GRI Standards.
 - If the reporting organization does not have data available for all the tax jurisdictions in which it operates,, the organization can explain what and why it is not available.
- Where complete reporting is not possible for a jurisdiction due to minority shareholding or being the non-operating joint venture partner, the organization can identify this as a reason for omission and provide a reference to the majority shareholder or operating partner.



Have your say

Public comment

Exposure draft GRI topic-specific Standard: Tax and Payments to Governments



Barbara Scrozzilaan 336
1083 HN Amsterdam
The Netherlands
tax@globalreporting.org

Public comment form

Exposure draft of GRI topic-specific Standard: Tax and Payments to Governments

Comments to be received by 15 March 2019

This exposure draft of the new GRI topic-specific Standard: Tax and Payments to Governments, is published for public comment by the Global Sustainability Standards Board (GSSB), the independent standard setting body of GRI.

This public comment form includes the draft of the new GRI topic-specific Standard: Tax and Payments to Governments, and a questionnaire seeking input on specific sections of the draft Standard. The explanatory memorandum on page 3 of this document summarizes the objectives of the project and the significant proposals contained within this exposure draft.

This draft is published for comment only and may change based on public feedback before its official release.

Any interested party can submit comments on this draft by 15 March 2019 by submitting this form. Comments should be submitted in writing. Only comments in English will be considered. Instructions to submit comments are outlined on page 2 of this document.

Learn more about the draft Standard and make your comments:

<https://www.globalreporting.org/standards/disclosures-on-tax-and-payments-to-government/>

- All Stakeholders are invited to comment – your feedback is critical to make sure the final Standards really work for reporters and report users
- You can read the exposure draft Standard, and provide your comments via the [public comment form](#) until 15 March 2019.
- All feedback will be shared with the Technical Committee and the GSSB for consideration in finalizing the draft Standards
- As required by the GSSB's [Due Process Protocol](#), all comments received will be considered a matter of public record and made available on the GRI website.

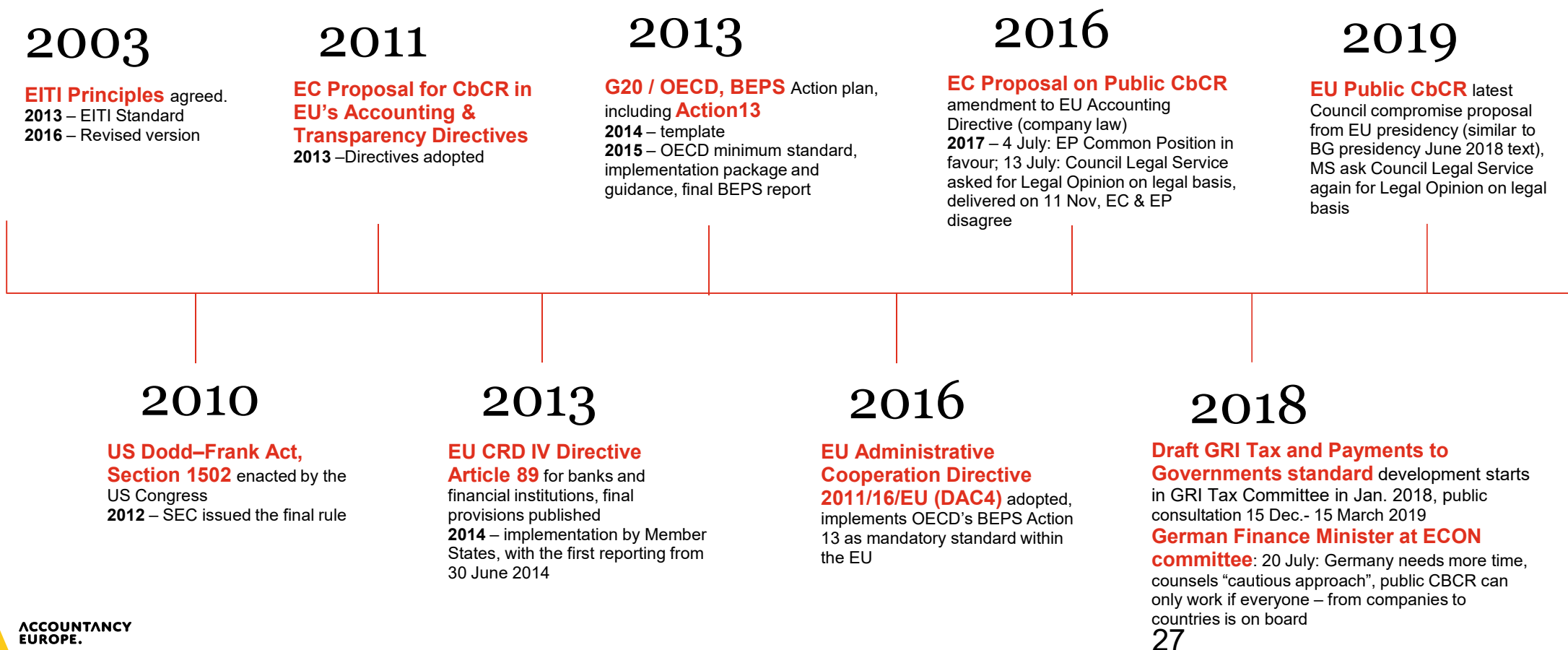
Questions

Developments in CbCR requirements

Brussels, 31 January 2019

Eelco van der Enden

Evolution of CbC reporting



Overview of CbC reporting initiatives

	EITI Standard	EU CRD IV	OECD / G20, BEPS Action 13	GRI, Tax and Payments to Governments	EU public CbCR, draft compromise proposal
Objective	Strengthening governance in resource-rich countries by improving transparency and accountability as to how natural resource wealth is generated and used.	Reducing the risk of a further banking crisis of 2008 and 2009.	High-level TP risk assessment and evaluating other BEPS related risks and where appropriate for economic and statistical analysis.	Assessment of the contribution an organization makes through taxes and payments to governments in a jurisdiction proportionate to the organization's scale of activity in that jurisdiction.	<u>High-level</u> TP risk assessment. Should not be used as a substitute for a detailed TP analysis of individual transactions and prices based on a full functional analysis and comparability analysis.
Is it legally binding?	Unless adopted by the EITI countries	✓	Unless transposed into national law (e.g. in the EU via 2011/16/EU (DAC))		✓
Requirements to companies	Extractives industry companies in countries which have adopted the EITI.	Banks and financial institutions in the EU as defined in the associated Capital Requirements Regulations.	MNEs with annual consolidated group revenue equal to or exceeding EUR 750 million	MNEs More than 4,000 companies in over 90 countries follow the GRI standards	MNEs with a total consolidated revenue exceeds EUR 750 million for each of the last two consecutive financial years
Taxes covered	All taxes and payments to governments	CIT and other profit taxes	CIT	All taxes and payments to governments	CIT
Reporting timeframe	EITI Country Programs decide on the timetable for reporting. Annual reports are standard.	All institutions affected must report by 30 June 2014, and annually thereafter	One year after the end of the relevant financial year.	In accordance with the GRI Standards (in annual reports)	Within 12 months after the balance sheet date
Public disclosure?	✓	✓		✓	✓
Audit requirement?		✓		✓	✓

Audit requirement in CbC reporting initiatives

EU Presidency Compromise proposal - EU public CbCR

Recital 11:

To ensure public awareness on the scope of and on compliance with the reporting obligations Member States **might require** that statutory auditor(s) or audit firm(s) state whether an undertaking is required to draw up a report on income tax information.

Article 48f

Statement by statutory auditor

Member States **may require** that, where the financial statements of an undertaking governed by the law of a Member State are required to be audited by one or more statutory auditor(s) or audit firm(s), the statutory auditor(s) or audit firm(s) state(s) in the audit report whether, the undertaking is required to draw up a report on income tax information in accordance with Article 48b.

Draft GRI Standard on Tax and Payments to Governments

Requires the use of **data** (on revenues, profit / loss before tax, tangible assets other than cash and cash equivalents) **stated in audited financial statements**, or in the financial information filed on public record.

Requires reporting info on all tax jurisdictions where the entities included in the organization's **audited financial statements**, or in the financial information filed on public record, are resident for tax purposes.

Audited financial statement refers to the audited consolidated financial statement of the organization.

EU CRD IV (Directive 2013/36/EU)

Article 89

Country-by-country reporting

The information referred to in paragraph 1 **shall be audited** in accordance with Directive 2006/43/EC and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the institution concerned.

Overview of CbC reporting information requirements

	EITI Standards	EU CRD IV	OECD BEPS Action 13	GRI Tax and Payme nts to Govern ments	EU public CbCR
1. Name and year concerned	✓	✓	✓	✓	✓
2. Tax Jurisdiction		✓	✓	✓	✓
3. Revenues – total		✓	✓	✓	✓
4. Revenues – third parties			✓	✓	✓
5. Revenues – related parties / intra-group transactions			✓	✓	✓
6. Profit (loss) before income tax		✓	✓	✓	✓
7. Income Tax paid (on cash basis)	✓	✓	✓	✓	✓
8. Income Tax accrued – current year		✓	✓	✓	✓
9. Stated capital			✓		
10. Accumulated earnings			✓		✓
11. Number of employees		✓	✓	✓	✓
12. Tangible assets or other than cash and cash equivalents			✓	✓	
13. List of all constituent entities per tax jurisdiction, including their main business activities		✓	✓	✓	✓
14. Reasons for the difference between corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.				✓	
15. Significant tax incentives		✓		✓	
16. Total employee remuneration for each tax jurisdiction				✓	

GRI Tax and Payments to Governments

Additional reporting recommendations

The reporting organization should report the following additional information for each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

1. Taxes withheld and paid on behalf of employees;
2. Taxes collected from customers on behalf of a tax authority
3. Industry-related or other taxes and payments to governments
4. Significant uncertain tax positions
5. Balance of intra-company debt held by entities in a tax jurisdiction and the average interest rate paid on that debt.

THANK YOU

STAY CONNECTED



@AccountancyEU
@AccountancySME



Accountancy Europe

**BECAUSE
QUESTIONS
COUNT.**



Discussion



Paving the Way for Increased Tax Transparency
7 February 2019

Draft Tax & Payments to Governments Standard Group Discussion – Handout

Name: _____

Organization: _____

Sector: _____

Note: feedback on this form will not be attributed to individuals; it will be collated and anonymized. If you would like to make additional comments, please use the public comment form available on the table and/or by downloading it from: <https://www.globalreporting.org/standards/disclosures-on-tax-and-payments-to-government/>.

The topic-specific disclosures in draft *Tax and Payments to Governments Standard* requires an organization to report on their entities, activities, tax and payments to governments by tax jurisdiction.

Please take a moment to review the topic-specific disclosures (disclosures 4 and 5) – lines 404 to 587 in the draft Standard. (The reporting requirements has also been listed below for easy reference.) Then discuss the following questions with your group:

1. Are any of the reporting requirements not understandable and/or feasible? If so, why?
2. What, if anything, would you suggest may make it more understandable or feasible?

1. Take 10 minutes to review the CBCR disclosures (disclosures 4 and 5) in the draft Standard. Lines 404-587.

2. Working with your table, discuss the following questions:

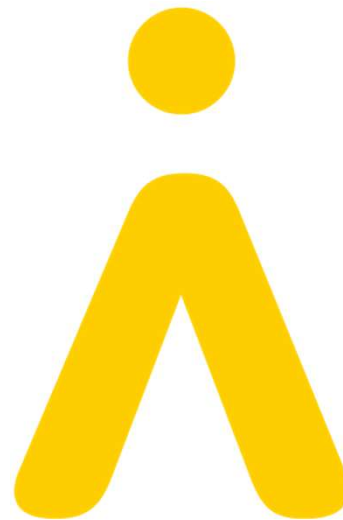
Are any of the reporting requirements not understandable and/or feasible? If so, why?

What, if anything, would you suggest may make it more understandable or feasible?

3. Write your feedback on the handout.



**GRI would like to thank
Accountancy Europe for
hosting the event.**



**ACCOUNTANCY
EUROPE.**

#GRISTandards



New draft Standard on
Tax and Payments to Governments
is now out for public comment

Submit your feedback
by 15 March 2019

DRIVING GREATER TRANSPARENCY