



HAL
open science

Tax Transparency by Multinationals: Trends in Country-by-Country Reports Public Disclosure

Giulia Aliprandi, Kane Borders

► **To cite this version:**

Giulia Aliprandi, Kane Borders. Tax Transparency by Multinationals: Trends in Country-by-Country Reports Public Disclosure. 2023. halshs-04103949

HAL Id: halshs-04103949

<https://shs.hal.science/halshs-04103949>

Submitted on 23 May 2023

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

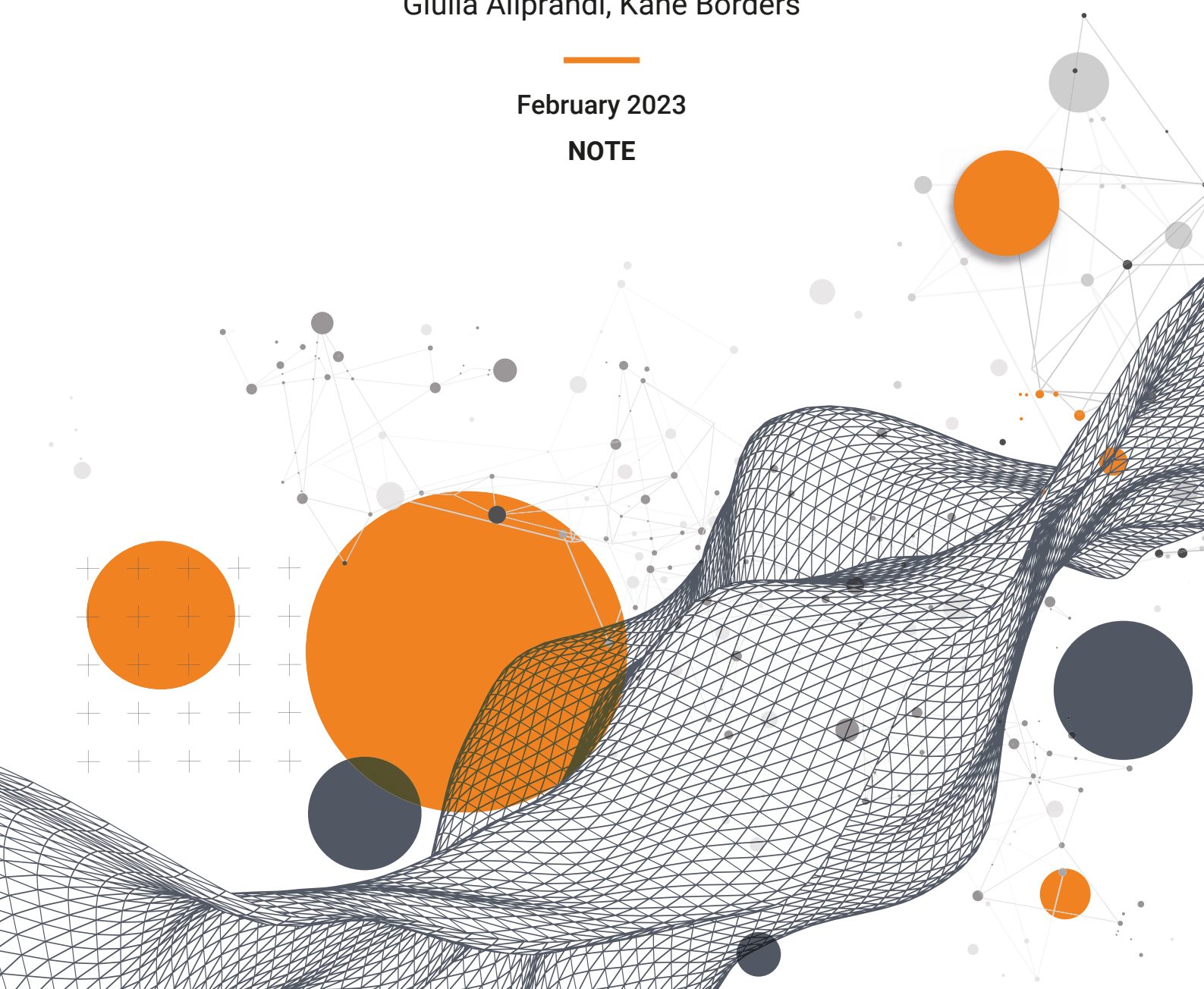
Tax Transparency by Multinationals

Trends in Country-by-Country Reports Public Disclosure

Giulia Aliprandi, Kane Borders

February 2023

NOTE



Summary

Country-by-Country Reporting is a key data source for understanding the activities of multinational firms. This note explores public Country-by-Country Reports (CbCRs) published by multinational companies to highlight several important trends. First, while only a small number of large multinationals currently publish their CbCRs, the number of companies is increasing rapidly for both large and smaller multinational firms. However, these reports are scattered across different sets of documents, making collecting and analysing them challenging. Second, CbCR publishing is driven by European companies, especially companies active in the extractive sector. Finally, published reports are generally not complete in terms of variables included but present a satisfactory geographical disaggregation in most cases.

This note has received funding from the European Union (GA No. TAXUD/2022/DE/310). The views expressed in this note are those of the authors and do not necessarily reflect the views of the European Commission.

We thank the members of the EU Tax Observatory for their helpful comments and suggestions. In particular, we thank Sarah Godar, Manon Francois, Panayiotis Nicolaidis and Mona Barake.

1 Introduction

A decade of data leaks¹ have revealed the extent of profit shifting conducted by multinational companies. Confidence in these multinationals has eroded, making the general public, non-governmental organizations, investors and institutions increasingly request transparency about multinationals' tax contributions around the world. Only last year, shareholders requested the publication of tax information at the annual meetings of major multinationals such as Amazon, Cisco and Microsoft (FACTCOALITION, 2022). In the coming years, public disclosure will become a reality in Europe,² and potentially in Australia³ while in the United States, the bill requiring public tax information publication passed in the House in 2021 but stalled in the Senate (United States Congress, 2021).

In this context, Country-by-Country Reports (CbCRs) play a crucial role as a new source of information on multinational firms' activities. These reports are compiled by multinationals and provide for the first time a comprehensive and detailed overview of the country-level distribution of key tax-related financial items such as profit, taxes and economic activities. As such, they will be a central input in evaluating future corporate tax reforms and monitoring the tax avoidance behaviour of multinationals.

The two main initiatives that have accelerated the adoption of Country-by-Country Reporting are led by the public multilateral Organization for Economic Co-operation and Development (OECD) and the Global Reporting Initiative (GRI). The OECD minimum standard requires large firms to privately disclose CbCRs with the appropriate tax authority starting from the fiscal year 2016 for early adopters, while GRI 207 Tax 2019 sets expectations for voluntary public disclosure of CbCRs alongside a tax strategy and governance description.

In this note, we investigate the uptake of voluntary CbCR disclosure by multinationals. We are asking three main questions: How many companies are currently publishing their CbCRs? Which are the characteristics of these companies? How complete are their disclosures?

To investigate the uptake of public disclosures of CbCRs, we rely on the new Public CbCRs database⁴ built at the EU Tax Observatory which standardizes and compiles the reports of over 100 multinationals into a single dataset. These CbCRs, which are usually scattered throughout annual reports, sustainability reports and other types of reports, are collected in one single place. To the best of our knowledge, this database covers the large majority of multinationals publishing CbCRs on a voluntary basis.

Our main findings are the following: first, overall CbCR publishing rates are low (97 reports for 2020), but increasing rapidly. Second, CbCR publishing is concentrated in European countries and in the extractive sector. Last, there remains significant room for progress on the completion of the information provided and the accessibility of these reports: 55% of the reports do not include all the recommended variables and reports are published in a wide variety of documents.

This note is structured as follows: section 2 explains what a CbCR is, section 3 shows trends in CbCR publication, section 4 characterises publishing multinationals, section 5 analyses reports' completeness.

¹Such as the Luxembourg Leaks (2014), the Panama Papers (2016) and the Pandora Papers (2021).

²For fiscal years starting after July 2024, EU (2021) for the full legal text.

³The Australian Treasury made a proposal for mandatory CbCR in October 2022 (Australian Treasury Department, 2022).

⁴The EU Tax Observatory developed a [public exploration tool](#) where this dataset can be freely downloaded.

2 What is a Country-by-Country Report?

Country-by-country reporting is the reporting of financial, economic and tax-related information for each jurisdiction in which a multinational operates. Its core item consists of a table where the different columns correspond to the required variables and each row corresponds to each jurisdiction in which the multinational is present. For each jurisdiction, the financial figures of all the resident entities are aggregated in one number, representing the total activities of the multinational in that specific country. For example, in the CbCR of Shell, Figure 1, the first row aggregates the activities of all Shell's entities present in Albania.

Companies mainly follow two closely related frameworks when providing CbCRs: OECD BEPS Action 13 and GRI 207-4 (GRI, 2020). OECD's Action 13 final report provides a template for multinationals to disclose information for each tax jurisdiction in which they operate. This includes aggregated data on: related party, unrelated party and total revenues, profits before income taxes, income tax paid and accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash and cash equivalents. It is mandatory for the largest multinationals (with previous year consolidated revenues larger than €750 million) and does not entail public disclosure.

In terms of the required information, GRI 207-4 is closely related to the OECD standard: it requires the same set of variables with the exception of accumulated earnings and stated capital. In terms of scope, the GRI standard is wider as compared to the OECD as there is no size restriction to CbCR disclosure. A crucial difference is that the GRI mandates voluntary public disclosure.

FIGURE 1

Country-by-Country Report example

	Revenue			Profit before tax (\$)	Tax paid (\$)	Tax accrued (\$)	Tangible assets (\$)	Stated capital (\$)	Accumulated earnings (\$)	Number of employees
	Third-party revenues (\$)	Related-party revenues (\$)	Total revenues (\$)							
Albania	[59,798]	51,366	[8,432]	[44,556,420]	0	0	249,976,849	0	0	60
Argentina	203,610,685	6,370,147	209,980,832	[240,462,518]	0	0	1,695,393,602	1,844,547,775	[882,586,404]	166
Australia	2,703,081,216	6,482,788,036	9,185,869,252	[11,432,704,550]	29,163,263	10,643,085	31,169,617,198	53,590,206,563	[6,492,017,103]	2,595
Austria	660,723,773	11,022,980	672,646,753	15,267,647	1,937,390	1,853,210	169,673,120	191,890,298	167,217,309	80
Bahamas	4,879,891,735	10,977,686,202	15,857,577,937	652,624,659	0	0	714,046,322	100,000	1,706,039,036	35
Barbados	0	3,972,596	3,972,596	703,245	0	0	0	775,769,000	402,131,443	0
Belgium	571,646,793	336,931,890	908,578,683	49,969,457	11,404,479	14,070,308	324,059,054	110,244,267	86,046,699	300
Bermuda	4,000,634	70,640,734	74,641,368	36,085,318	0	0	91,277	8,918,332,750	1,764,095,161	2
Bolivia	119,622,715	502,199	120,124,914	[156,582,597]	0	[618,731]	331,112,269	380,226,459	[36,924]	60
Brazil	844,625,356	4,681,335,348	5,525,960,704	[4,032,840,539]	1,826,050	20,095,844	28,563,275,322	3,600,555,379	[7,956,726,049]	837
Brunei	92,813,553	3,409,058	96,222,611	[71,265,538]	35,069,217	33,253,155	378,824,699	333,036,458	5,008,915	6
Bulgaria	125,969,145	4,916,810	130,885,955	[6,609,290]	458,140	177,770	84,455,180	42,096,691	2,095,068	59
Canada	7,980,866,767	9,957,278,570	17,938,145,337	[1,427,027,022]	[16,358,418]	14,779,138	15,667,443,505	47,099,413,948	[5,851,707,781]	3,440
Cayman Islands	0	224,239	224,239	15,593	0	0	15,495,480	80,371,117	[111,626,136]	0
China	2,335,377,496	928,045,604	3,263,423,100	562,154,958	67,413,658	90,062,526	1,943,213,873	860,930,187	1,128,059,826	1,841
Colombia	16,415	2,129,218	2,145,633	[16,289,108]	0	0	2,504,156	40,754,934	[77,011,064]	11
Cyprus	0	11,511	11,511	[11,244,062]	0	6,606	180,260,553	0	0	0
Czech Republic	357,207,165	8,096,020	365,303,185	9,526,382	2,413,656	1,810,013	143,747,099	108,830,177	23,850,628	76
Denmark	818,200,619	453,664,703	1,271,865,322	[80,096,637]	859,483	0	284,487,213	157,822,843	[452,143,954]	257
Egypt	749,567,331	118,642,029	868,209,360	[112,334,382]	44,499,351	45,237,599	806,118,612	1,977,326	93,392,932	395
Finland	68,481,011	31,703	68,512,714	[2,718,687]	586,428	0	12,125,834	12,347,729	6,882,126	28
France	1,140,499,070	269,746,705	1,410,245,775	[59,692,564]	2,686,565	2,030,274	506,147,864	510,016,748	362,284,844	349
Germany	12,909,818,771	7,674,067,135	20,583,885,906	[3,358,600,496]	3,138,009	31,293,496	4,013,204,352	1,433,874,640	[5,161,724,065]	3,911
Gibraltar	1,758,417	0	1,758,417	234,456	34,224	23,446	0	0	0	0
Hong Kong, SAR	967,926,391	107,294,698	1,075,221,089	46,674,782	32,076,414	7,638,255	653,417,905	256,576,926	278,642,510	173
Hungary	500,848,883	18,432,967	519,281,850	37,129,691	1,810,597	1,694,832	120,630,505	43,823,441	[78,734,442]	83
India	1,077,239,575	924,163,643	2,001,403,218	162,669,495	19,060,387	48,497,181	1,219,038,194	1,134,130,216	106,016,856	9,458
Indonesia	450,742,992	124,101,355	574,844,347	[578,968,295]	[25,307,646]	7,405,284	1,055,256,581	927,321,619	[684,009,986]	358
Iran	0	0	0	136,933	0	0	0	0	0	0
Iraq	0	662	662	[13,840,342]	0	0	54,576	0	0	354

Source: Shell, Tax contribution report 2020

2.1 Where are the reports published?

Currently the reporting of this information is far from standardised, with no defined place where multinationals are required or recommended to publish the data. This translates in companies disclosing CbCRs in a wide variety of documents and formats, making it challenging to find and extract the data. For example, some multinationals use standalone tax payments reports, while others use tax transparency reports or sustainability reports and annual reports. Figure 2 shows a few examples of the collected reports.

FIGURE 2

Examples of reports



Source: Publicly available reports, 2019-2021

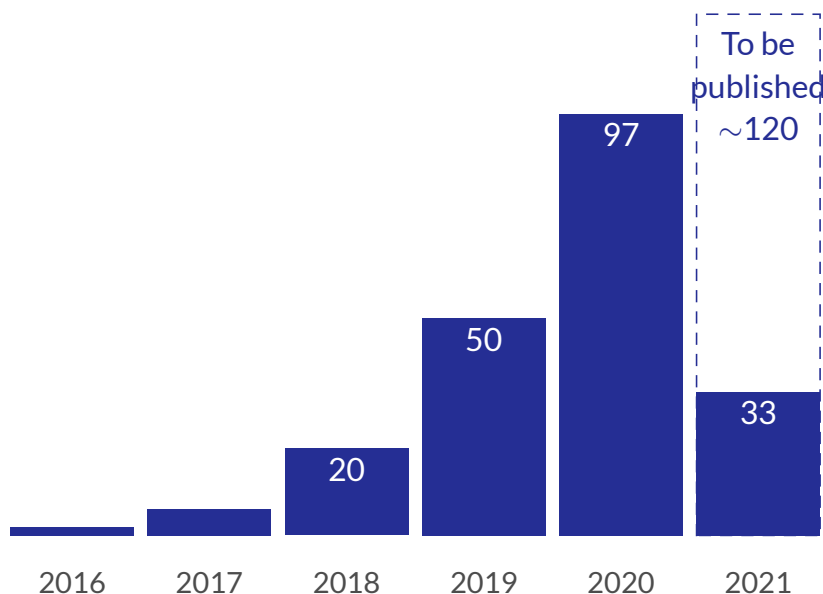
3 How many reports have been published so far?

Although public reporting at a country-by-country level remains largely voluntary, a number of firms already disclose this information publicly. As can be seen in Figure 3, **the number of reporting firms has been steadily increasing over the past years**: 97 reports have been collected relative to the fiscal year 2020, compared with 20 for the fiscal year 2018. Reports are generally published with a one- or two-year lag, hence for the fiscal year 2021 reports are expected to be published between 2022 and 2023.

We expect the voluntary release of CbCRs to continue rising in the coming years, especially in light of the latest developments at the institutional level such as the EU public CbCR directive 2021/2101, investor demands and corporate governance recommendations. Several companies already committed to publishing their reports in the coming years or evaluating their feasibility.

FIGURE 3

Country-by-Country Reports collected for fiscal years between 2016 and 2021



Note: The graph shows how many CbCRs have been collected for each fiscal year covered in the database. As data is published with a lag, we expect about 120 reports to be available next year given the latest trend.

Data source: Public CbCRs database (2022).

4 Which multinationals are publishing their Country-by-Country Reports?

4.1 Breakdown by company size

Few large multinationals publish CbCRs: as reported in Table 1 **only 2.7% of the top 1500⁵ firms publish CbCRs** and this number is only slightly higher if focusing on the top 1000 (3.2%), the top 500 firms (4%) or the top 100 firms (7%).

It could be expected that publishing is concentrated among large multinationals (with revenues above €750 million) that potentially face a reduced administrative burden and already comply with the requirement to file CbCRs with tax authorities. We find that this is partly the case: out of the 65 multinationals reporting revenues data, only about 14% (9/65) are below the €750 million threshold.

⁵To identify the largest multinationals we rely on the Forbes Index, that ranks top firms using a weighted index including the firms' sales, profits, assets and market value. Results are consistent when using market capitalisation as the size proxy. We exclude banks as their CbCRs are published under directive CRD IV, introduced before the BEPS framework.

TABLE 1**Percentage of top multinationals publishing CbCRs**

Top Firm Source	% of Firms Publishing
<i>Forbes Global Index</i>	
Top 100	7%
Top 500	4%
Top 1000	3.2%
Top 1500	2.7%

Note: The Forbes Global Index contains the top 1500 firms - excluding banks - based on a composite index weighting sales, profits, assets and market value. We use the Public CbCRs database, EU Tax Observatory (2022), as a proxy for firms publishing.

There is some evidence that smaller multinationals are also publishing: only about 29% (32/111) of firms in our database are in the top 1000 Forbes firms and about 37% (41/111) are in the top 1500 Forbes firms. This means that almost two-thirds of multinationals in our database are not in the top 1500 largest global multinationals, pointing to significant reporting by smaller multinationals.

4.2 Breakdown by headquarter country

With minimal regulation and few reporting standards, the extent of public disclosures by firms varies significantly across countries and regions. Table 2 presents the five countries and regions with the highest number of firms publishing CbCRs according to the Public CbCR database. The top five countries - Italy, Spain, the United Kingdom, the Netherlands and Norway - account for about 64% of multinationals publishing CbCRs. At the regional level, **European countries account for about 80% of multinationals publishing CbCRs** while other regions have a lower number of publishing multinationals, accounting for between 0.9% and 8.1% of the overall sample.

Consistent with Bourne et al. (2021), these results point to a concentration in CbCR disclosure in a small group of European countries, showing that firms in European countries have the most comprehensive disclosures for tax policy reporting.

This could be related to recent changes in disclosure requirements. In Italy, before the adoption of the Non-Financial Reporting Directive 2014/95/EU, non-financial information reporting had been largely voluntary (with the exception of banking). The transposition of the directive into national law with Legislative Decree No. 254/2016 made mandatory the disclosure of non-financial and diversity information in particular related to environmental issues, social and employee-related matters, respect for human rights and anti-corruption and bribery matters.

In Spain, the Law 11/2018,⁶ amended the applicable rules on the disclosure of non-financial and diversity information introducing a requirement that large Spanish firms⁷ disclose tax information as part

⁶www.boe.es/boe/dias/2018/12/29/pdfs/BOE-A-2018-17989.pdf

⁷Firms with an average of over 500 employees during the year or meeting two of the three following criteria over the last two years are required to disclose: total assets amount to more than €20 million, annual net revenues exceed €40 million or

TABLE 2**Countries and Regions with most multinationals publishing CbCRs**

HQ Country or Region	% of public CbCRs
<i>Top Countries</i>	
Italy	20.7%
Spain	16.2%
United Kingdom	13.5%
Netherlands	8.1%
Norway	5.4%
Total	63.9%
<i>Top Regions</i>	
Europe	80.1%
Americas	8.1%
Asia	6.3%
Oceania	4.5%
Africa	0.9%

Note: The table shows the percentage of multinationals headquartered in the top five countries and regions in the Public CbCRs database.

of their non-financial reporting. Importantly, the disclosure of profits earned, tax paid on profits and public subsidies received is required on a country-by-country basis.

In the United Kingdom, the 2016 UK Finance Act has played a role in increasing tax transparency for large multinationals. This act requires firms to disclose their tax strategy if they have a turnover in the UK of over £200 million or a UK balance sheet of over £2 billion. International firms with sub-groups in the UK or with a global turnover of over €750 million are also required to report their tax strategy.

4.3 Breakdown by sector

There is significant variation in CbCR disclosure across sectors. Figure 4 shows the number of firms in the Public CbCRs database by sector and the number of these firms that are in the top 1500 Forbes firms. The most represented sectors in the Public CbCR database are Mining and Extraction (17 firms), Chemicals, Petroleum, Rubber and Plastic (15 firms) and Banking, Insurance and Financial Services (14 firms).⁸ Two of these sectors also concentrate the highest number of top 1500 firms: Mining and Extraction (7 top 1500 firms) and Banking, Insurance and Financial Services (8 top 1500 firms). Utilities and Chemicals, Petroleum, Rubber and Plastic are the next sectors with the most top 1500 firms.⁹

The high level of disclosures for these sectors has likely been driven by sector-wide initiatives. For example, where the average number of workers exceeds 250. Starting in 2022, the law will be strengthened and any firm meeting the previous criteria or with an average of over 250 employees during the year will be required to disclose.

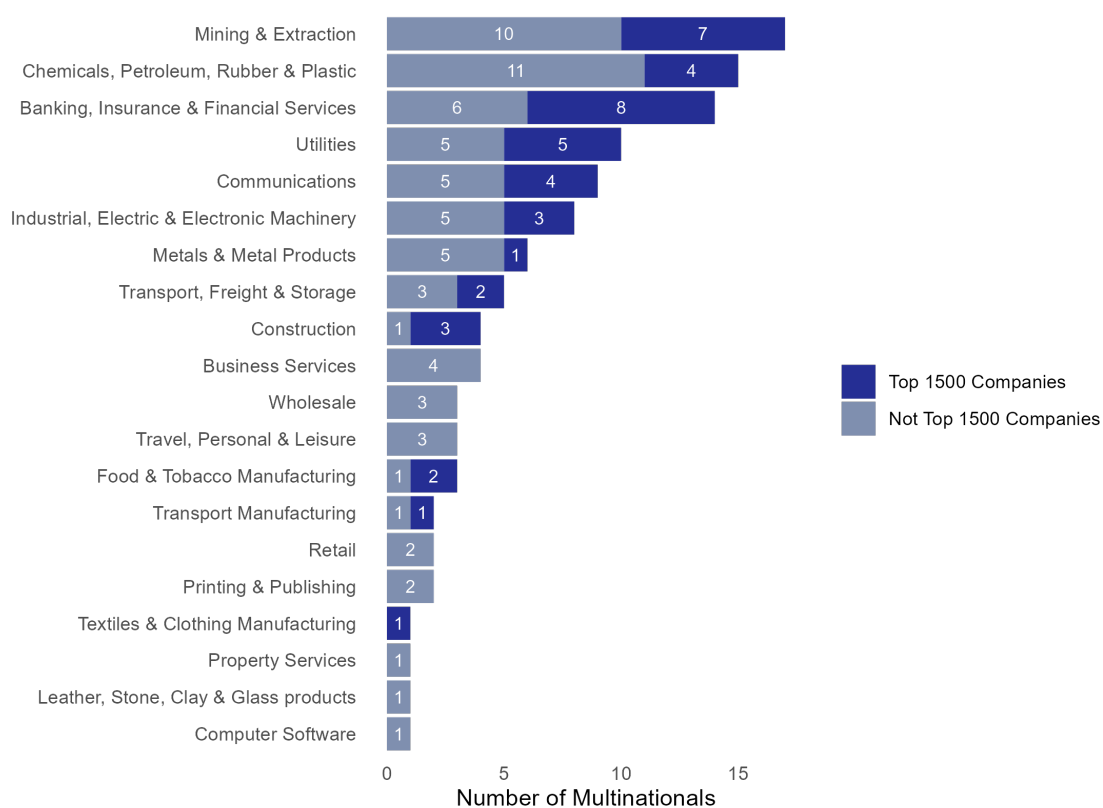
⁸“This does not take into account the mandatory reporting of European banks under the Capital Requirements Directives IV. See Barake (2022) for additional information on reporting by banks.”

⁹Bourne et al. (2021) find similar sectoral results.

ple, there have been multiple initiatives in the extractive sector, such as Publish What You Pay and the Extractive Industries Transparency Initiative, that have long focused on transparency around payments to governments. This might explain why the Mining and Extraction and the Petroleum and Utilities sectors account for a large portion of the reported CbCRs and the top 1500 firms.

Other sectors might be exposed to specific tax risks driven by the nature of their business models. The financial sector is under greater scrutiny since the financial crisis and the technology sectors have faced greater tax scrutiny as their reliance on intellectual property assets and exposure to digitization could be exploited for aggressive tax planning.

FIGURE 4
Multinationals disclosing CbCRs by sector



Note: This figure shows the number of multinationals in the Public CbCRs database and the number of these firms that are in the top 1500 of the Forbes Global Index for each sector.

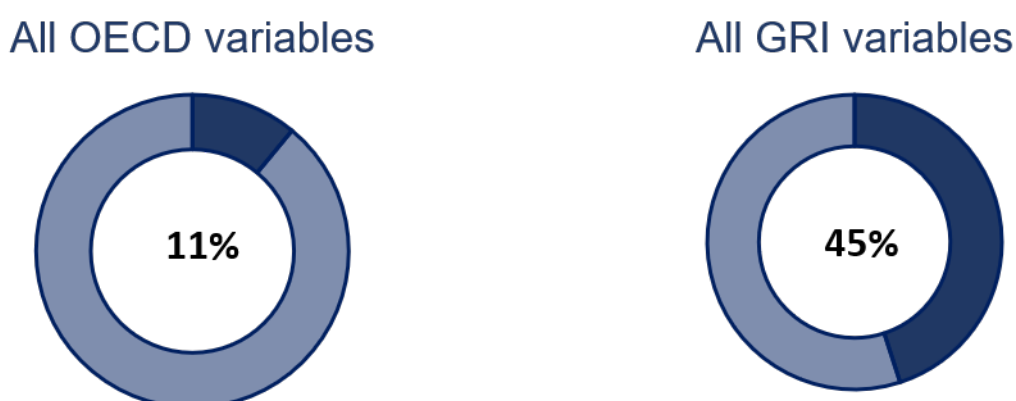
5 How complete are the published CbCRs?

As the disclosure of CbCR information is still voluntary, there is considerable variation in the amount of information reported by companies both in terms of variables disclosed and geographical disaggregation.

Concerning variables, in almost all reports firms publish at least profit and one tax variable (either tax paid or accrued) with the exception of a few companies displaying only tax information. It is rare for companies to publish complete reports according to the OECD standard, only 11% of them do so. On the other hand, almost half (45%) publish all recommended variables according to the GRI 207-4 standard. It is crucial for companies to publish all variables and not limit them to a subset, including both profit, taxes and variables describing real economic activities such as number of employees or tangible assets. This allows to fully appreciate where a company performs its economic activities and whether these are aligned with where profits are booked and taxes paid. Including only profit or tax variables limits this kind of analysis.

FIGURE 5

Percentage of multinationals disclosing all variables required.



Note: The figure shows the percentage of CbCRs included in the sample that discloses all OECD variables and all GRI variables according to the Public CbCRs database, EU Tax Observatory (2022). The two standards require the same set of variables with the exception of "Accumulated earnings" and "Stated Capital" which are not required by the GRI.

Concerning geographical disaggregation, both the OECD and GRI require the information on *all* jurisdictions to be disclosed, but not all multinationals apply this requirement when publishing their CbCR reports.

This practice is widespread in CbCR: about 44% (49/111) of multinationals in our database make use of aggregated geographical reporting categories. They account for a relatively small amount of activities: across the whole sample, these aggregated geographical categories account for 4.9% of total related revenues, 3.6% of total unrelated revenues, 5.7% of total tax paid, 4% of total employees, 2.1% of total positive profits.

Overall the geographical disaggregation provided by companies is quite complete, but a minority of

companies report only the top countries in which they are present and others present groups of countries or entire regions in aggregated categories. In addition, in a small number of companies the aggregated geographical categories account for a large share of activities (close to 30% of revenues). Only one company reports extremely aggregated activities disclosing separate figures for the headquarter jurisdiction and aggregating foreign jurisdictions in regional categories such as Europe and Latin America.

The use of these aggregated categories should be limited, as it decreases transparency facilitating the dissimulation of tax avoidance activities. This is because aggregate activities could include information on tax havens summed with those of other countries, dissimulating tax avoidance activities.

6 Conclusion and way forward

This note has underlined several important trends. First, while only a small number of large multinationals currently publish their CbCRs, the number of companies is increasing rapidly for both large and smaller multinational firms. However, these reports are scattered across different sets of documents, making collecting and analysing them challenging. Second, CbCR publishing is driven by European companies, especially companies active in the extractive sector. Finally, published reports are generally not complete in terms of variables included but present a satisfactory geographical disaggregation in most cases.

The EU public CbCR directive 2021/2101 will be a considerable step forward in increasing the public availability of these data: large multinationals present in the EU will be required to publish CbCRs in a machine-readable format from fiscal years starting in July 2024.

However, there will still be some obstacles to exploiting this data and fully enhancing tax transparency. First, the directive will require limited geographical disaggregation, which might hamper the analysis of profit-shifting activities. Second, it requires a more restricted set of variables as compared to GRI and OECD. Third, there is no single place in which all published reports will be automatically collected. In the future, several improvements could include: requiring a specific publication title that facilitates finding the reports regardless of the language, requiring worldwide country-level data and extending the set of variables included.

References

- G. Aliprandi, K. Borders, F. Gabriel, and G. von Zedlitz. Public Country-by-Country Reports: a new database. *EU Tax Observatory*, 2023.
- Australian Treasury Department. Budget october 2022-2023, 2022. URL https://budget.gov.au/2022-23-october/content/bp2/download/bp2_2022-23.pdf.
- M. Barake. Tax planning by european banks. *EU Tax Observatory*, 2022.
- E. Bourne, C. Dodsworth, and J. Kooroshy. Global trends in corporate tax disclosure. *FTSE Russell*, 2021.
- EU. Official journal I429, 2021. URL <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2021:429:FULL&from=EN>.
- FACTCOALITION. Microsoft, cisco shareholder votes demonstrate increasing investor demand for tax and offshore transparency. *FACT Press releases and statements*, 2022.
- GlobeScan. Trust in global companies. 2016. URL <https://globescan.com/wp-content/uploads/2017/07/Trust-in-Global-Companies-GlobeScan-Public-Opinion-eBrief-Feb2016.pdf>.
- GRI. *GRI 207: Tax 2019*. 2020. URL <https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf>.
- R. Müller, C. Spengel, and H. Vay. On the determinants and effects of corporate tax transparency: Review of an emerging literature. Technical report, 2020.
- OECD. *Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report*. 2015. URL <https://www.oecd-ilibrary.org/content/publication/9789264241480-en>.
- OECD. Guidance on the implementation of country-by-country reporting: BEPS Action 13. 2022.
- United States Congress. Bill H. R. 3007, 2021. URL <https://www.congress.gov/bill/117th-congress/house-bill/3007/text>.



Co-funded by
the European Union