

**... but in this world
nothing can be said
to be certain, except
death and taxes.**

-- Benjamin Franklin

It's no secret that corporations participate in tax avoidance schemes, costing governments hundreds of billions of dollars in lost tax revenues each year. Leaked documents such as the Luxembourg Leaksⁱ in 2014, the Panama Papersⁱⁱ in 2016, and the Pandora Papersⁱⁱⁱ in 2021 reveal just how widespread these practices are. In fact, multinational corporations have long been criticized for utilizing accounting acumen or moving domicile to shift profits from high tax rate jurisdictions to those with low tax rates. Not only do these practices undermine the public trust in the fairness and soundness of the tax system, they beg fundamental questions about the ethics of companies benefiting heavily from public support of the capital markets. For these reasons, many stakeholders have been calling for global tax reform.

According to a study in November 2022, it is estimated that governments around the world lost \$312 billion of taxes paid in a single year from multinational

corporations shifting profit into tax havens.^{iv} These lost tax revenues could have been used for social welfare programs, law enforcement, public health, environmental protection, or infrastructure spending. To put this in perspective, the U.S. government spends a total of about \$930 billion on all non-military discretionary spending annually in these areas.^v

The tax burden is then shifted to individuals and smaller local businesses to help contribute to tax revenues that larger businesses avoid, creating an uneven playing field and contributing to income inequality between and within countries. And on occasion, even these tried-and-true strategies have ramification for shareholders. In 2017, Chevron was found to have underpaid its Australian tax bill by \$268 million and was forced to settle.^{vi} In 2019, Google was ordered to pay \$1 billion to settle tax evasion lawsuits with France.^{vii} France also received a \$1.3 billion settlement from McDonald's regarding alleged tax evasion that occurred over the course of a decade.^{viii}

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Country-by-Country Reporting

There is growing consensus that country-by-country (CbCR) tax reporting would significantly help curb profit shifting amongst multinational corporations. CbCR is “reporting of financial, economic and tax-related information for each jurisdiction in which a multinational operates.”^{ix} The data is typically organized in a table which shows key financial information by jurisdiction. Separating out profits and taxes would reveal whether a company has paid its fair share of taxes to a particular jurisdiction; there would be less places to hide.

Voluntary CbCR

The Global Reporting Initiative encourages voluntary disclosure of CbCRs and maintains guidance for this best practice.^x The number of companies voluntarily publishing CbCRs, such as Shell^{xi} or Philips^{xii}, is increasing rapidly. However, the reports are generally spread across annual or sustainability reports—and missing key information and not in a standardized format—making it difficult to compare the data. According to a February 2023 report from the EU Tax Observatory, there were 97 reports published for 2020 and 55% of the reports did not include all the recommended variables.^{xiii} Further, about 80% of multinationals publishing CbCRs are European.

Snapshot from Shell Tax Contribution Report 2020

	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	11,922,980	672,646,753	15,267,647	1,937,390	1,853,210	169,673,120	191,890,298	167,217,399	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

Source: https://reports.shell.com/tax-contribution-report/2020/_assets/downloads/supplement-our-tax-data-by-country-and-location-shell-tcr20.pdf

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CbCR Laws and Pending Legislation

The reality is that many companies are already preparing these reports, just not publicly sharing the information. The Organization for Economic Co-operation and Development (OECD) created guidance and a template that can be used by multinationals to prepare CbCRs^{xiv}. Under this framework, companies have been privately reporting CbCRs to tax jurisdictions in which they operate since 2016. Governments then anonymize the reports and aggregate the data, making it impossible to tell which companies are underpaying taxes.

So far, no country has mandated public CbCRs. Several nonprofit organizations and other stakeholders have started to campaign in support of countries adopting standardized CbCR disclosure requirements. Led by Oxfam, a global organization that fights inequality to end poverty and injustice, several shareholder resolutions have been proposed to individual companies such as Exxon^{xv}, Amazon, and Cisco, asking companies to publish

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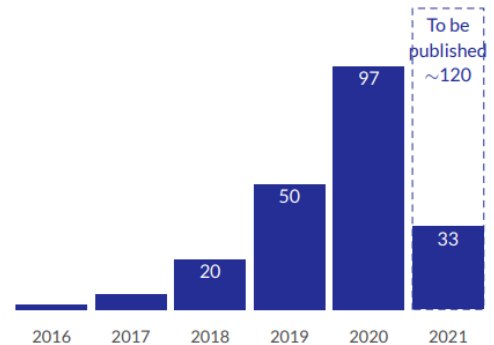
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CbCRs in line with the Global Reporting Initiative's tax standard. Across the globe, legislation is quickly moving towards mandating public CbCRs, especially in the last few years. In 2021, the United States House of Representatives passed a bill that would require SEC-registered companies to publish CbCR^{xvi}, but the bill then stalled in the Senate. In the European Union, countries will be required to adopt public CbCR rules by July 2024.^{xvii} Australia has also drafted legislation that would require public CbCR, which is expected to be passed and enacted this year.^{xviii} In short order, companies around the world will be publishing CbCRs. The hope is this will lead to a decrease in lost tax revenues, reduced inequalities, and a culture of honest tax reporting and accountability amongst multinational corporations.

Snapshot from EU Tax Observatory Report

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).

Source: https://www.taxobservatory.eu/wp-content/uploads/2023/02/EU-Tax-Observatory_Note_Tax-Transparency-by-Multinationals_February2023-1.pdf

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ⁱ [Luxembourg Leaks: Global Companies' Secrets Exposed - ICIJ](#)

ⁱⁱ <https://www.icij.org/investigations/panama-papers/>

ⁱⁱⁱ <https://www.icij.org/investigations/pandora-papers/>

^{iv} <https://taxjustice.net/press/governments-can-recover-billions-from-tax-havens-by-publishing-withheld-transparency-data/>

^v <https://www.reuters.com/markets/us/us-debt-ceiling-focus-discretionary-spending-means-cuts-ahead-2023-05-24/>

^{vi} [Chevron drops appeal over landmark Australian tax ruling | Reuters](#)

^{vii} [Google Pays More Than \\$1 Billion to Settle French Tax Cases - WSJ](#)

^{viii} [McDonald's Will Pay France \\$1.3BN to Settle Tax-Evasion Case \(businessinsider.com\)](#)

^{ix} [Tax Transparency by Multinationals: Trends in Country-by-Country Reports Public Disclosure - Eutax \(taxobservatory.eu\)](#)

^x [gri-207-tax-2019.pdf \(globalreporting.org\)](#)

^{xi} [supplement-our-tax-data-by-country-and-location-shell-ter21.pdf](#)

^{xii} <https://www.results.philips.com/publications/ar22/downloads/pdf/en/PhilipsCountryActivityAndTaxReport2022.pdf?v=20230327144956>

^{xiii} [EU-Tax-Observatory Note Tax-Transparency-by-Multinationals February2023-1.pdf \(taxobservatory.eu\)](#)

^{xiv} [Action 13 - OECD BEPS](#)

^{xv} [ExxonMobil Tax Transparency Resolution 11.16.2022 Final.pdf | Powered by Box](#)

^{xvi} [Actions - H.R.3007 - 117th Congress \(2021-2022\): Disclosure of Tax Havens and Offshoring Act | Congress.gov | Library of Congress](#)

^{xvii} [Publications Office \(europa.eu\)](#)

^{xviii} [Proposed new Public Country by Country Reporting \(pwc.com.au\)](#)