

PRI RESPONSE

AUSTRALIAN TREASURY CONSULTATION: STRENGTHENING AUSTRALIA'S MULTINATIONAL TAX AVOIDANCE AND TAX TRANSPARENCY RULES

September 2022

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To inform this response, the following investor groups have been consulted: PRI Global Policy Reference Group and PRI Tax Reference Group. This consultation is not an endorsement or acknowledgement of the views expressed in this response.

INTRODUCTION

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI has been working with institutional investors to promote corporate tax responsibility since 2015. We initiated our work with a [guide](#) to help investors understand the risks related to aggressive tax planning and provide a framework for investor-company dialogue on the issue. In 2017, the PRI supplemented this guidance with a set of [disclosure recommendations](#) for companies to strengthen corporate income tax disclosure on tax policy, governance and risk management, and reporting areas. Between 2017-19, 36 institutional investors representing US\$2.9 trillion in assets under management collaborated to engage large healthcare and information technology companies to enhance corporate tax transparency. The findings of this engagement are published on [PRI's website](#). In 2021, the PRI published a [paper](#) to explore the concept of tax fairness and its relevance to investors.

The PRI develops analysis and recommendations based on signatory views and evidence-based research. The PRI welcomes the opportunity to respond to the Australian Treasury's consultation on strengthening Australia's multinational tax avoidance and tax transparency rules.

ABOUT THIS CONSULTATION

The Australian Government, as part of its election commitment platform, announced a multinational tax integrity package to address the tax avoidance practices of multinational enterprises (MNEs) and improve transparency through better public reporting of MNEs' tax information.

On 5 August 2022, the Treasury released a [Consultation Paper](#) on Strengthening Australia's multinational tax avoidance and tax transparency rules ("Consultation Paper"). This Consultation Paper seeks feedback and comments on the implementation of proposals to:

- amend Australia's existing thin capitalisation rules to limit interest deductions for MNEs in line with the Organisation for Economic Cooperation and Development (OECD)'s recommended approach under Action 4 of the Base Erosion and Profit Shifting (BEPS) program (Part 1);
- introduce a new rule limiting MNEs' ability to claim tax deductions for payments relating to intangibles and royalties that lead to insufficient tax paid (Part 2); and
- ensure enhanced tax transparency by MNEs (Part 3), through measures such as public reporting of certain tax information on a country-by-country basis; mandatory reporting of material tax risks to shareholders; and requiring tenderers for Australian government contracts to disclose their country of tax domicile.

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KEY RECOMMENDATIONS AND COMMENTS

The PRI strongly supports the Treasury's announced multinational tax integrity package to address the tax avoidance practices of multinational enterprises (MNEs) and improve transparency through better public reporting of MNEs' tax information.

The PRI's response focuses only on Part 3 of the [Consultation Paper](#).

The PRI's key recommendations and comments are:

- **Treasury should require reporting entities to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation, and not a limited set of jurisdictions.** If not, the disclosure can limit visibility of high-risk transactions in countries for which no information is published and impair risk assessment for investors. Partial country-by-country (CbC) information would not meaningfully advance tax transparency or help achieve the Treasury's stated goals.
- **The standards for mandating CbC reporting should align as much as possible with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard.** This would better provide reporting organisations with a standardised format and users of the reported data (e.g., investors) with the ability to make comparisons. Requiring CbC information in line with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard significantly reduces the compliance cost and reporting burden for multinationals as they already collect and report CbC information to tax authorities¹ in a format that is closely aligned with the disclosure 207-4 (Country-by-country reporting) of the GRI 207.²
- **Mandatory reporting of CbC information should apply at a minimum to multinationals which are already disclosing this information privately as part of [Action 13 of the OECD BEPS](#).** Mandating CbC reporting for these multinationals would only mean that they must make public information that is already collected and reported privately to tax authorities. Therefore, it is reasonable to expect that these multinationals require less time and resources for preparation than other entities.

¹ <https://www.oecd.org/tax/beps/beps-actions/action13/>

² <https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf>

DETAILED RESPONSE

PART THREE

1. Are there any specific features you would introduce to improve how MNEs publicly report tax information?

The PRI recommends the Treasury mandate public reporting of country-by-country (CbC) information that aligns with disclosure 207-4 Country-by-country reporting of the [GRI 207 standard](#).

The PRI believes that enhanced transparency and detailed public reporting through a full country-by-country reporting will enable investors to:

- better assess tax risks and opportunities in their portfolio and provide visibility of high-risk transactions;
- examine the economic scale of operations in different jurisdictions, validate companies' commitments against tax avoidance and identify those that are ahead of the curve in terms of corporate tax responsibility;
- raise questions with companies where tax structures and strategies do not align with economic value generated and therefore, facilitate more responsible corporate behaviour.

It will also allow responsible businesses to demonstrate that they are contributing positively towards society, the recovery from the pandemic and paying taxes in the countries where they create value.

2. How should large MNEs be defined for the purpose of enhanced public reporting of tax information? Would the Significant Global Entity definition be appropriate to use?

The definition of a "Significant Global Entity" AUSD 1 Billion (approximately euros 680 million) is comparable with the revenue thresholds used by the [Action 13 of the OECD BEPS](#) and [EU public CbC reporting regime](#) (entities with consolidated group revenue of at least EUR 750 million). Any of these two definitions should be appropriate to use. It should be emphasized that mandatory tax transparency reporting should apply to multinationals headquartered in Australia or overseas. In the EU, CbC reporting applies to foreign headquartered multinationals controlling: (i) A "medium-sized" or "large" subsidiary "governed by the national laws" of a Member State; or (ii) A qualifying branch in any of the Member States in the EU.³

3. Would you support an incremental (phased in) approach to mandatory tax transparency reporting for a broader range of entities, starting with large MNEs?

The PRI believes the first phase of a potential incremental approach to mandatory tax transparency should apply at least to large multinationals (which can be defined either using the EUR 750 consolidated revenue threshold used by the [Action 13 of the OECD BEPS](#) and the EU, or the AUSD 1 Billion revenue threshold for "significant global entities"). As these companies are already required to

³ https://ec.europa.eu/commission/presscorner/detail/fr/MEMO_16_1351

report under Action 13 of the OECD BEPS, it is reasonable to expect that these multinationals require less time and resources for preparation than other entities.

EU CBC REPORTING

4. Should Australia mandate improved tax transparency regime in line with the EU's approach to public CbC reporting? If so, why?

The PRI has been a strong advocate of increased corporate tax transparency and the public disclosure of CbC information. To be effective, disclosure of CbC information should require disaggregated reporting for all countries of operation. Otherwise, the disclosure can limit visibility of high-risk transactions in countries for which no information is published and impair risk assessment for investors.

We do not recommend that Australia mandate improved tax transparency regime in line with the EU's approach to public CbC reporting because it does not require companies to report CbC information for all countries of operation. This recommendation is consistent with the recommendations the PRI had made to the EU in May 2021. In May 2021, the PRI sent a letter undersigned by 35 investors representing US\$5.6trn in assets under management to the EU. The letter called on the EU to introduce legislation that should require multinational companies to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation and not just EU countries and the EU list of non-cooperative jurisdictions, which was the regime that the EU eventually introduced. The EU framework for reporting could create a perverse incentive for multinationals to undertake profit shifting in other jurisdictions, where investors and other stakeholders may not have full view of activities. Australia should seek to avoid this risk by mandating disclosures for all countries of operations and not a set list of countries (e.g., the EU list of non-cooperative jurisdictions or a list of low-tax jurisdictions).

In addition, as explained in more details in Question 5, disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard requires the reporting of some information that is important to investors (reconciliation between effective and statutory tax rates, revenues from intra-group transactions with other tax jurisdictions) but not required under the EU regime.

Further, by mandating an improved tax transparency regime in line with the [GRI 207](#) rather than the EU regime, the compliance burden is further reduced for companies not required to report in line with the EU regime.

In the 2021 letter, the PRI clarified that *“any exemptions to the requirements should only be provided on a limited basis and accompanied by careful monitoring. While it should be acknowledged that some companies may have genuine concerns about commercial sensitivity in reporting on a country-by-country basis, widespread exemptions would be misaligned with the objective of creating a level playing field⁴, result in inconsistent data and disincentivise leadership.”*

⁴ See recital 12 (a): <https://data.consilium.europa.eu/doc/document/ST-5183-2021-INIT/en/pdf>

We believe Treasury should carefully consider any exemptions. Concerns around sensitive information in one jurisdiction should not prevent the reporting of CbC information for other jurisdictions.

There are only limited circumstances where the disclosure of CbC information could lead to the disclosure of information that is sufficiently sensitive or confidential as to confer a competitive disadvantage. Similar to the EU regime, if Treasury needs to address concerns by the reporting entity that such disclosures would reveal sensitive information, Treasury should only consider granting deferral and not exemptions for the reporting of certain information deemed commercially sensitive by the reporting entity. The deferral should be limited in time (no more than 5 years in the case of the EU)⁵ and the reporting entity should clearly disclose that it has deferred the reporting of some information and provide a reasoned explanation.

Some companies provide or might wish to provide information on a regional rather than jurisdictional basis, the PRI does not believe such a level of disaggregation is appropriate for investors as companies' use of and exposure to specific jurisdictions (including low tax jurisdictions) would only be captured with information disaggregated at jurisdiction level.

A small but growing number of multinational companies are also publicly reporting CbC information and have demonstrated that this is both feasible and does not lead to negative consequences in terms of public backlash or competitiveness.⁶ In response to the PRI-coordinated engagement on tax transparency, several companies have indicated that mandatory requirements on CbC information will ensure a level playing field and reduce first-mover concerns⁷.

(a) What sorts of entities (based on revenue or entity structure) should this mandate apply to?

Mandatory reporting of CbC information should apply at a minimum to entities that fit the definition of a "significant global entity" (annual global income of A\$1 billion or more) or to entities with consolidated group revenue of at least EUR 750 million (thresholds used by Action 13 of the OECD BEPS and the EU Public CbC reporting regime). It is possible that more entities would be covered if the "significant global entity" definition is used because the revenue threshold is slightly lower than the EUR 750 threshold.

(b) Please provide details of any compliance costs associated with adopting the EU's approach to public CbC reporting

The PRI recommends that the Treasury mandates CbC reporting which requires reporting entities to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation, and not a limited set of jurisdictions in line with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard.

As the Treasury noted in its consultation document, multinationals with consolidated group revenue of at least EUR 750 million are already collating and providing CbC information privately to tax

⁵ [pwc-eu-parliament-and-member-states-agree-on-public-cbcr.pdf](https://www.pwc.com/eu-parliament-and-member-states-agree-on-public-cbcr.pdf)

⁶ <https://www.oecd.org/tax/beps/beps-actions/action13/>

⁷ <https://www.unpri.org/governance-issues/advancing-tax-transparency-outcomes-from-the-pri-collaborative-engagement/5541.article?adredir=1>

authorities in line with OECD Action 13 BEPS.⁸ The information reported as part of the OECD Action 13 BEPS is closely aligned with the requirements of disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard⁹. Mandating CbC reporting in line with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard would only mean that large multinationals need to make public information that they already collect and report privately to tax authorities. Therefore, it is reasonable to expect there would be minimum costs associated with these increased obligations but substantial benefits to investors.

A [2018 review of country-by-country](#) reporting requirements for extractive and logging industries in the EU found that *“The reporting requirements entail additional compliance costs, but the companies did not consider that they represent a disproportionate burden.”*

For the limited CbC reporting in the EU, the [EU’s](#) impact assessment concluded that companies in OECD countries are already required to disclose such information to their tax authorities and the additional compliance costs for those companies affected, such as those related to public scrutiny of this information, are proportionate and justified by the benefits the public disclosures bring.

5. If the EU CbC approach was mandated in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax and effective tax rate (ETR) per jurisdiction?

The PRI has been a strong advocate of increased corporate tax transparency and the public disclosure of CbC information.

The PRI and other investors were heavily involved in the development of the GRI 207 standard. The PRI was a member of the technical committee. In addition, during the consultation process, more than 110 stakeholders submitted feedback, of which 55% represented the investor community with jointly invested assets in excess of \$2.5 trillion¹⁰.

PRI recommends that the information required to be disclosed aligns as much as possible with disclosure 207-4 Country-by-country reporting of the GRI 207 standard. This includes related party expenses (referred to as “Revenues from intra-group transactions with other tax jurisdictions” in GRI 207).

In addition to CbC reporting (disclosure 207-4 Country-by-country reporting of the GRI 207 standard), the PRI has called for the reporting of qualitative information about a company’s tax strategy and governance, as outlined in disclosures 207-1 to 207-3 of the GRI 207 standard.

One disclosure requirement in the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard that is particularly useful for investors is a reasoned explanation on the *“Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/ loss before tax”*. A detailed explanation with both qualitative (required by the GRI 207-4) and quantitative disclosures (not required by the GRI 207-4 but recommended) can more clearly and meaningfully explain the difference between what a company has paid in taxes and what it is required to pay by statute. Reconciliation provided by companies, although in accordance with

⁸ <https://www.oecd.org/tax/beps/beps-actions/action13/>

⁹ <https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf>

¹⁰ <https://www.globalreporting.org/media/amyaycyg/gri-perspective-we-need-to-talk-about-tax.pdf>

accounting requirements, is often lacking in detail, making it difficult for investors to understand the consequences of factors such as research and development credits and other tax advantages. A clear tax reconciliation allows investors to see what are the material incentives or arrangements that the company makes use of to lower its tax liabilities¹¹.

GRI 207

6. Should the GRI tax standard be used as a basis for Australia to mandate MNE public CbC reporting? If so, why?

The PRI has been a strong advocate of increased corporate tax transparency and the disclosure of CbC information.

The PRI and other investors were heavily involved in the development of the GRI 207 standard. The PRI was a member of the technical committee. In addition, during the consultation process, more than 110 stakeholders submitted feedback, of which 55% represented the investor community with jointly invested assets in excess of \$2.5 trillion¹².

Disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard is aligned to a significant extent with the OECD Action 13 BEPS¹³ and the PRI believes that those minor differences can be easily navigated by large multinationals as evidenced by those companies already disclosing CbC information in the GRI format and disclosing CbC information to their private authorities. Requiring CbC information in line with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard significantly reduces the compliance cost and reporting burden for multinationals as they already collect and report CbC information to tax authorities¹⁴ in a format that is closely aligned with the disclosure 207-4 (Country-by-country reporting) of the GRI 207¹⁵.

(a) What sorts of entities (based on revenue or entity structure) should this mandate apply to?

See our response to Question 4(a), above.

(b) Please provide details of any compliance costs associated with adopting the GRI tax standard approach to public CbC reporting.

See our response to Question 4(b), above.

¹¹ [PRI Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf \(unpri.org\)](#)

¹² <https://www.globalreporting.org/media/amyaycyg/gri-perspective-we-need-to-talk-about-tax.pdf>

¹³ <https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf>

¹⁴ <https://www.oecd.org/tax/beps/beps-actions/action13/>

¹⁵ <https://www.globalreporting.org/standards/media/2537/comparison-gri-207-tax-2019-oecd-beps.pdf>

7. **If the GRI standard was used as a basis for mandating CbC reporting in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax and effective tax rate (ETR) per jurisdiction?**

Please See our response to Question 5, above.

TAX TRANSPARENCY CODE

8. **Would legislating the Tax Transparency Code to include CbC reporting provide a suitable basis for a mandatory transparency reporting framework? If so, why?**

The PRI does not recommend using the Tax Transparency Code in its current form because the Tax Transparency Code does not require the publication of CbC information. Using the Tax Transparency Code in its current state would not require multinationals to publish CbC information. Investors need comparable information, a lack of consistent disclosure requirements on CbC information would not allow comparability.

- (a) What sorts of entities (based on revenue or entity structure) should this mandate apply to?**

As noted above, the PRI does not recommend using the Tax Transparency Code in its current form because the tax transparency code does not require the publication of CbC information.

- (b) Please provide details of any compliance costs associated with adopting the Tax Transparency Code for public CbC reporting.**

As noted above, the PRI does not recommend using the Tax Transparency Code in its current form because the tax transparency code does not require the publication of CbC information.

9. **If the Tax Transparency Code was used as a basis for mandating CbC reporting in Australia, are there additional tax disclosures that MNEs should be required to report, such as related party expenses, intangible assets, deferred tax and effective tax rate (ETR) per jurisdiction?**

As noted above, the PRI does not recommend using the Tax Transparency Code in its current form because the tax transparency code does not require the publication of CbC information.

STANDARDISED PUBLIC CBC REPORTING

10. **How should entities be required to publicly report their CbC information? Would publication in their annual report be adequate? Should this CbC data be verifiable (via independent audit, certification letter from CFO, reconcilable with financial accounts etc)?**

Publication of CbC information in the annual report is adequate as it provides the added benefit of having mainstream financial information and tax transparency disclosures in one place.

Publication in a standalone tax contribution report or within a sustainability report is also adequate as long as the information is provided in a timely manner and made readily available to shareholders and stakeholders e.g., easy to locate and navigate.

Disclosures should be machine-readable to facilitate analysis and comparison between reporting entities.

The PRI has highlighted the importance of disclosures on reconciliation with financial accounts for investors¹⁶. The disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard specifies that the reporting organisation shall reconcile the data reported for CbC information with the data in the audited financial statements and provide an explanation for the difference.

11. What role should Government play in reviewing, publishing and aggregated analysis of country-by-country data?

Aggregated analysis of the CbC information reported by multinationals under OECD Action 13 BEPS is already conducted and made publicly available. Government could introduce a public online register of all reports similar to the [modern slavery register](#) so that investors (and other stakeholders) can easily locate the CbC information reported by companies and make comparisons between companies.

12. What is the most appropriate way to ensure consistent (standard) reporting by MNEs of their public CbC information?

As explained throughout this response, the most appropriate way to ensure consistent (standard) reporting by MNEs of their public CbC information is by aligning reporting requirements with the disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard.

13. Should the data be reported in a standardised template? What should this be?

As noted in questions above, disclosure 207-4 (Country-by-country reporting) of the GRI 207 standard provides a standardised template for CbC information to be reported in a comparable and consistent manner.

14. When should mandatory tax transparency reports fall due? For example, should they occur at the same time as annual reports are produced, tax returns lodged, or be staggered to spread compliance burdens?

Due dates for the mandatory tax transparency reports should be consistent with the company's existing annual reporting obligations. This would allow investors to compare financial information e.g., information in annual reports and CbC information.

¹⁶ https://www.unpri.org/Uploads/t/r/I/PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf

15. Are there any transitional arrangements that would need to be considered prior to commencement of a legislated reporting requirement? What would these be?

The PRI does not see any transitional arrangements that would need to be considered prior to commencement of a legislated reporting requirement especially for those multinationals already disclosing CbC information to their tax authorities.

OTHER FORMS OF HIGH-RISK TAX ARRANGEMENTS

16. How should entities disclose to shareholders whether they have a material tax risk?

The PRI is supportive of improved disclosures on material tax risks. Publication of CbC information will greatly facilitate the identification of tax risks by shareholders. However, companies should complement the CbC information disclosed with qualitative information. Previous PRI guidance¹⁷ recommended that comprehensive corporate disclosures should give an overview of tax-related risks.

PRI's recommendations on tax disclosures include recommendations specifically on risk management:

- include a tax policy signed by a board-level representative outlining the company's approach to taxation and how this approach is aligned with its business and sustainability strategy;
- give an overview of tax strategies, tax-related risks, intercompany debt balances, material tax incentives, country by country activities and current disputes with tax authorities;
- provide evidence of tax governance as part of the risk oversight mandate of the board and management of the tax policy and related risks;

In its previous work, the PRI has not defined what constitutes a “material tax risk” as this depends on every company’s specificity and circumstance. This should be left to the reporting entity to define. If the reporting entity considers that it faces no material risk, then a brief statement explaining this should suffice.

However, there are a number of disclosures that can be categorised as tax risks that are of relevance for investors: disputes with tax authorities, impact of upcoming legislation, expiring of material incentives etc.

Disclosure of significant uncertain tax positions would be useful for investors to identify tax risks. The implementation guidance for GRI 207 recommends the reporting entity to disclose significant uncertain tax positions and disclose the value of the tax positions in line with the audited consolidated financial statements or the financial information filed on public record and a description.

17. What would be an appropriate channel for entities to disclose if they are doing business in a low-tax jurisdiction?

CbC information would require publication of tax information for all subsidiaries including subsidiaries located in low-tax jurisdictions. The publication of CbC information such as profits or the number of employees will allow shareholders to identify companies doing business in low-tax jurisdictions as well as the level of exposure to such jurisdictions. If CbC information is required for all subsidiaries, there

¹⁷ <https://www.unpri.org/download?ac=1877&adredir=1>

is not necessarily a need for a separate or additional channel to disclose operations in low-tax jurisdictions.

However, a list of subsidiaries could include the share of ownership (%) of the reporting entity.

a) Are disclosures of this nature already released by organisations?

Multinationals with operations in low-tax jurisdictions that disclose CbC information for all subsidiaries automatically disclose information of this nature because the CbC information includes information for those subsidiaries located in low-tax jurisdictions. Furthermore, some of these multinationals who publish CbC information supplement their quantitative disclosures (i.e., CbC information for low-tax jurisdictions) with a qualitative explanation on the nature of their businesses in low tax jurisdictions (reinsurance operations, holdings, joint ventures, intellectual property etc.) and any potential commitments. This includes companies like BP, Rio Tinto or Vodafone.¹⁸

b) Could existing mechanisms be utilised for disclosures of this nature?

As mentioned above, companies that disclose CbC information for all subsidiaries already disclose information of this nature

18. What types of high-risk tax arrangements should be disclosed to shareholders? Alternatively, are the existing definitions or PCG guidance that should be used to declare higher tax risk arrangements?

Disclosure of high-risk tax arrangements is of high relevance to investors. CbC information might shed some light on some of these arrangements (i.e., CbC information for all subsidiaries would show if significant profits are declared in certain low-tax jurisdictions but not in high-tax jurisdictions prompting questions from stakeholders). Clear disclosures from multinationals on a proactive basis would facilitate identification of these arrangements by investors. [Previous PRI guidance](#) has identified the disclosure of high-risk tax transactions or arrangements as useful to illustrate the company's actual level of risk appetite in practice. While many companies referred to their risk appetite in their tax disclosure, they rarely provided examples to support their views of acceptable and unacceptable tax practices.

The GRI 207 recommends that reporting entities disclose the balance of intra-company debt held by entities in the tax jurisdiction, and the basis of calculation of the interest rate paid on the debt. For investors, disclosures on intra-company debt will help understand whether companies are relying on excessive interest deductions to lower their tax rates and reassure investors that companies are well placed to respond to tax developments relating to interest deductibility.¹⁹

¹⁸ BP: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-tax-report-2020.pdf>; RioTinto: <https://www.riotinto.com/-/media/Content/Documents/Invest/Reports/Taxes-paid-reports/RT-Taxes-paid-2021.pdf?rev=25a024e671464d65818eaf711b2127f4>; Vodafone: <https://www.vodafone.com/sites/default/files/2021-10/vodafone-tax-report-19-20.pdf>

¹⁹ https://www.unpri.org/Uploads/t/r//PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf

The GRI 207 recommends that multinationals disclose significant uncertain tax positions. For investors such disclosures are essential because uncertain tax positions that have not been agreed with tax authorities may be rejected in part or in whole, which constitutes a significant risk.²⁰

The ATO has practical compliance guidelines which set out parameters to determine whether transactions are classified as high risk. To alleviate reporting burden, the Treasury could use such guidelines to mandate disclosure of high-risk transactions.

19. Should a threshold apply to entities mandatorily reporting tax haven exposure to shareholders? If so, what would be an appropriate threshold and why?

The same threshold defined for mandatory reporting of CbC information should apply. For companies without overseas operations, a brief statement explaining that they don't have any overseas subsidiaries should suffice.

20. What due diligence should companies undertake to ensure the disclosure is accurate?

PRI has recommended for the Board to have oversight of and accountability for the company's tax strategy. It can be expected that ensuring that tax disclosures are accurate would be part of this oversight mandate. PRI has also recommended that companies' tax policy be signed off by a member of the Board.

²⁰ https://www.unpri.org/Uploads/t/r//PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf