**Submission from the European Network on Debt and Development to the Securities and Exchange Commission Concept Release on Corporate Disclosures of Offshore Subsidiaries (File Number S7-06-16).**

Answer to request for comment 52:

Registrants should be required to disclose key information about the geographic location of subsidiaries as well as the economic activity and tax payments on a country by country basis (country by country reporting (CBCR)).
The following information should be included in the reporting requirement, to be reported on a country by country basis:

- The name(s), nature of activities and geographical location of all subsidiaries. This information is crucial to understanding the basic structure and geographical spread of a company, as well as identifying the different subsidiaries belonging to the company.
- The turnover and number of employees. These are key indicators of where the actual economic activities are taking place. This is crucial information for the assessment of whether the profits are being taxed in the jurisdiction where the activity takes place, or are being shifted to low-tax jurisdictions.
- Amount of accumulated earnings, stated capital, sales and purchases, tangible assets, value of assets and annual costs of maintaining those assets. This information will allow the investor to assess where real economic activity is taking place.
- Profit or loss before taxes. This information will show which jurisdictions the company is reporting its profits in and where it is reporting losses. A pattern often seen in cases of tax avoidance (and in some cases evasion) is that companies report high profits in low-tax jurisdictions where they have low levels of real economic activity, and report losses in the jurisdictions where the economic activity is actually taking place. Therefore, profit/loss data is crucial for identification of tax avoidance and evasion.
- Income tax accrued and income tax paid. This information is key for the assessment of whether the company is paying taxes where the economic activity takes place and value is created.
- Public subsidies received. This information will reveal whether the company is relying on public financial support, which can also be a risk factor.

This information will give investors new tools to identify risk factors and financial irregularities, and therefore a better basis for making investment decisions.

Among the risk factors investors will be able to identify are aggressive tax planning structures and practices that can result in “tax scandals”, which can occur when confidential information documenting largescale tax avoidance or evasion is leaked to the media. Such scandals can have substantial negative impacts on the image of the company, and have strong impacts on the level of tax payments (which might suddenly rise as tax administrations respond to the tax scandal).
Aggressive tax planning structures also significantly increase the risk of sudden political intervention, including sudden changes in foreign regulations.
Increased corporate transparency in the form of CBCR will lower the risk for investors and incentivize sound tax practices by companies, which would have substantial positive effects on the level of investments.

As international taxation and tax strategies have become increasingly relevant to corporate profitability, it is crucial for investors to have a better understanding of the current and potential future tax liabilities of multinational companies. This has also been noted by investors, and a growing investor demand for tools to assess risks of aggressive tax planning was noted by the European Commission in a recent impact assessment of public CBCR:
"*[T]here is growing investors' demand for fair tax planning. These increasingly see taxes as "a vital investment in the local infrastructure, employee-base and communities". They want to assess the risks associated with aggressive tax planning.*"[i]

For ethical investors and public actors, including development finance institutions, disclosure of CBCR information will also provide information that is vital for ensuring that investments made through financial intermediaries are responsible and in line with the investment criteria and objectives of the investor.

The cost of obtaining and reporting the CBCR information would be limited due to the fact that this information is top level data which companies would normally have easily available. In the European Union, financial institutions have been disclosing similar, although somewhat more limited information, publicly since 2015.[1] So far there have been no reports on negative impacts of this requirement. Rather, banks have stated they support public country by country reporting.[2] As OECD and G20 governments start implementing the international agreement on Base Erosion and Profit Shifting, multinational corporations with a turnover of minimum €750 will also be required to report on a country by country basis to tax administrations. For all these companies, the cost of public CBCR will be even lower, since most of the information has already been compiled.

Answer to request for comment number 53: Registrants should be required to report on the number of advance pricing agreements they have with different jurisdictions, as well as the main elements regulated by such agreements. As seen during the recent state aid cases launched by the European Commission, advance pricing agreements can constitute a risk of state aid cases, which can have significant impacts on a company's tax payments in a given jurisdiction.

Answer to request for comment number 135: See answer to request for comment number 52. Companies should report on taxes paid and accrued.

Answer to request for comment number 257 and 259: See answer to request for comment number 52. Companies should report the name(s), nature of activities and geographical location of all subsidiaries.

Answer to request for comment number 260: For the purpose of exposing aggressive tax planning and tax avoidance, no subsidiaries should be considered insignificant, since even subsidiaries with few or no staff and low levels of economic activities can still be important as part of the company's aggressive tax planning. For example, shell companies established

[1] Requirement included in the 4th Capital Requirements Directive, article 89: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=EN

[2] Barclays and HSBC at a public hearing in the European Parliament on November 16, 2016: http://www.europarl.europa.eu/news/en/news-room/20151110IPR01911/Special-Committee-on-Tax-Rulings-and-Other-Measures-Similar-in-Nature-or-Effect

in conduit countries can be used to channel large amounts of profits out of the countries where a company has its economic activity and into low-tax jurisdictions.

For more information, contact:
Tove Maria Ryding
Policy and Advocacy Manager
European Network on Debt and Development (Eurodad)
Email: tryding@eurodad.org / Phone: +32 491 208 790

[i] European Commission. (2016). COMMISSION STAFF WORKING DOCUMENT, IMPACT ASSESSMENT, assessing the potential for further transparency on income tax information, Accompanying the document Proposal for a Directive of the European Parliament and of the Council, amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches, {COM(2016) 198 final} {SWD(2016) 118 final}. Strasbourg, 12 April 2016: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0117&from=EN