

Taxation vs Transparency

Why is it necessary to differentiate between taxation mechanisms and transparency mechanisms?

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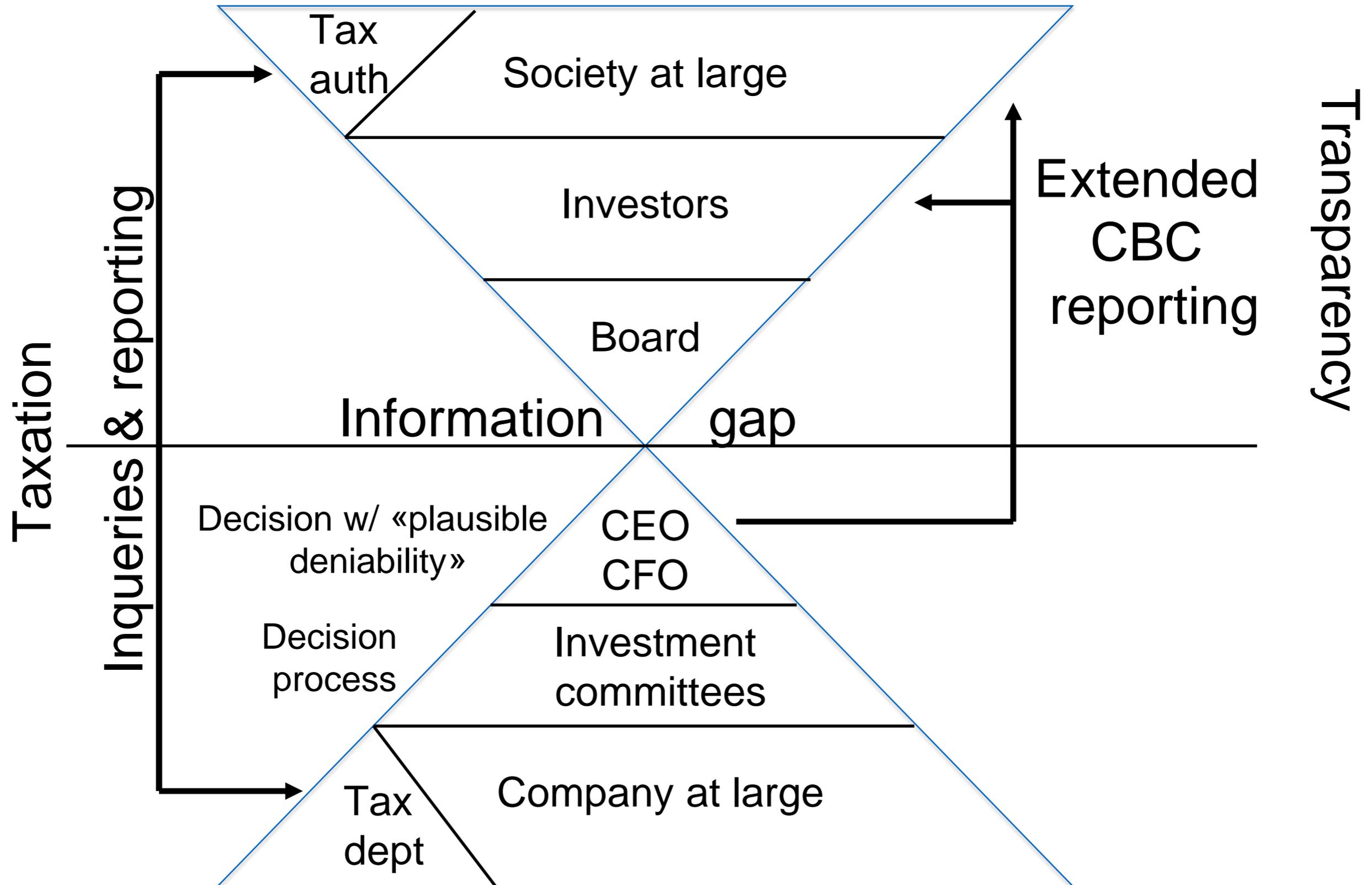
Why transparency?

Transparency is not a «do-it-all» instrument.

Transparency has a very specific purpose, and that is to bring specific information out to investors and society at large about a companys activities → currently it is country by country reporting of taxes that is being promoted, contract transparency likely to be next.

PWYP Norway has in addition claimed that country-by-country reporting of taxes is not enough – the taxes needs to be reported in a context where they need to be understood (together with investments, revenues, costs etc) → hence the introduction of extended country-by-country reporting, which has been legislated in Norway (some adjustments still needed)

Taxation vs Transparency



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TAXATION IS ABOUT	TRANSPARENCY IS ABOUT
...getting transactions correct for revenue purposes	... getting the big picture correct for future decisions
... information to tax authorities Information to decision-makers like investors and legislators
... historical information time-stamped information that can be relied upon for future decisions
... information that can be used in the tax process from risk assessments to final tax assessments	... accounting information that includes which taxes has been paid to each country
... information specific to each company	... information that is comparable across companies and across countries

Transparency is about laying the ground for mechanisms to stop

- Transfer mispricing
- Derivate abuse
- Mark-to-market abuse and transactions outside the marketet
- Capital gains abuse
- Tax system abuse, for example treaty shopping
- Corrupt practices, including fake invoices
- Criminal transfers, such as whitewashing

PWYP Norway supports the extended country-by-country reporting concept to get information to investors and the legislators to deal with these



Taxation OECDs BEPS

vs
vs

Transparency PWYP Norways ULLR

TEST QUESTIONS:	OECDs Base Erosion and Profit Shifting (BEPS)	PWYP Norways extended country-by-country reporting (ULLR)
Based on real accounting numbers?	X	V
Includes all countries?	X	V
Public reporting?	Only partially	V
Include full cost?	X	V
Timely information?	X	V
Can the reporting be quality assured across countries?	X	V
Can the reporting be compared across companies?	X	V
Can the reporting easily be included in notes to the financial statement?	X	V
Can the reporting highlight undesired tax behaviour?	X	V
Does there exist exceptions or possibilities for manipulation?	Yes	No

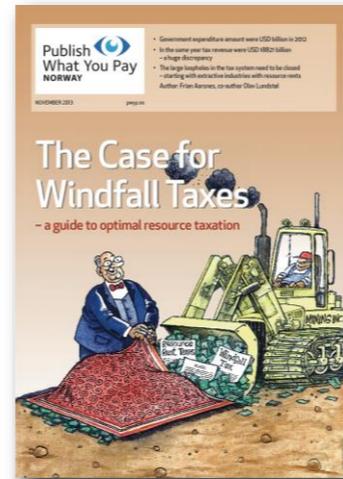


Taxation mechanisms supported by PWYP Norway (and suggested to OECD)

A more robust tax system
for extractive industries with
better tax collection mechanisms

Separate tax base for derivatives

Graded withholding taxes
Reversed tax credit



These tax
mechanisms
are very hard
to get around
and can be
implemented
by any country.