Publish What You Pay
NORWAY

BRIEFING

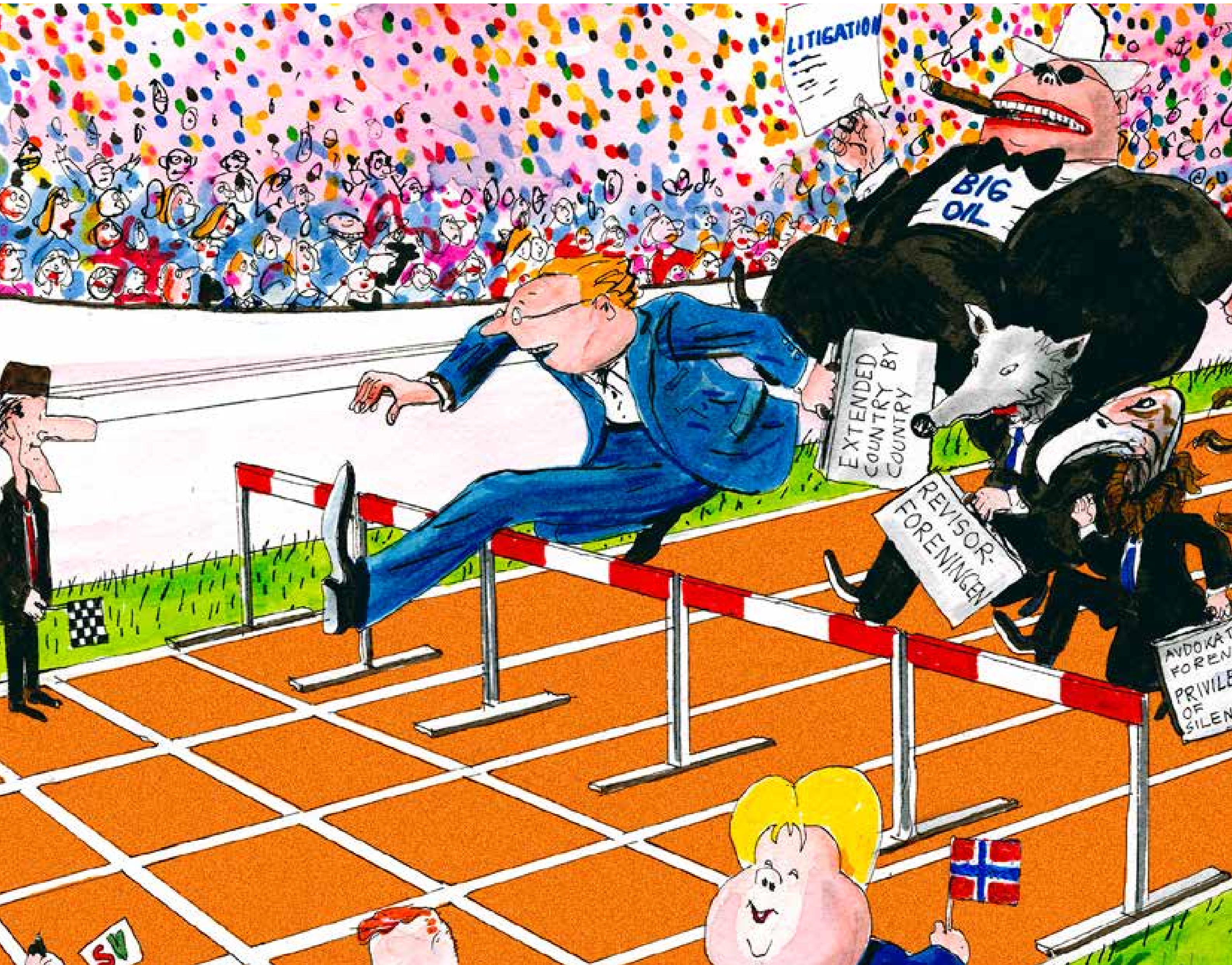
- Natural resources have not helped citizens of poor countries to escape poverty.
- Cash flows often end up elsewhere, in the accounts of multinational companies in tax havens.
- The Norwegian Ministry of Finance has issued regulations on extended country-by-country reporting, which will show where cash flows end up.

15 out of 18 elements have already been implemented in the extended country-by-country reporting. However, 3 critical elements are still missing for the legislation to work as intended and prevent companies from avoiding tax.

How YOU can ensure that we rectify the last few omissions.

- Investors can trace their money and assess how companies manage assets.
- Lawmakers can treat companies equally and create a level playing field.
- Citizens can hold their governments and companies accountable.

Illustration: Roar Hagen



How close are we to extended country-by-country reporting in Norway? What remains?

15 of 18 elements of the extended country-by-country reporting are already in place!

Only 3 elements remain for the objective to be realised

RED FLAG 1 is about CONTENT:

What is the problem?
The regulations issued by the Norwegian Ministry of Finance refer to the «purchase of goods and services» instead of costs.

What is the implication?
The implication of the regulations requiring reporting of the purchase of goods and services only, and not of total costs, is that reporting is not credible because it becomes difficult to identify the real profits of companies, i.e. total revenues less costs, and thus to establish a link to the tax figures.

What is the solution?
The regulations must require specification of the full costs on a country-by-country basis, thus implying that both revenues and costs are disclosed through country-by-country reporting. If the «purchase of goods and service» is of special interest to the Ministry of Finance, such reporting should take the form of a sub-group of costs.

RED FLAG 2 is about FORM:

What is the problem?
The regulations do not require country-by-country reporting to match the accounting figures of the companies from extraction activities, i.e. audited figures.

What is the implication?
The implication is that the wording is not in line with developments elsewhere in the world. France has, for example, already incorporated the EU provisions into French law, with a requirement that country-by-country reporting shall also apply to banks and that the information shall be disclosed in notes to the annual financial statement on a country-by-county basis (Art. 89, CRD IV of 26 June '13; Capital Requirements Directive).

What is the solution?
The information must be disclosed in notes to the annual financial statement because the most logical and effective place from which to obtain financial information is the audited financial statement of a company. This means that the reporting of accounting figures does not entail any additional costs, because such figures have already been audited.

RED FLAG 3 is about FORM:

What is the problem?
The regulations only require companies to disclose these details from producer countries, and allow for exemptions.

What is the implication?
The implication of the regulation being limited to producer countries only is that we ignore all company subsidiaries in tax havens. PWYP Norway showed that ten of the largest companies operate with at least 6,000 subsidiaries and that 1/3 of these are registered in tax havens. (This is only the information that companies were comfortable with disclosing. We did not have access). These countries are of key importance when seeking to get an overview of the total revenues and costs of extraction companies, which are not limited to the countries in which production is taking place, in addition to the fact that these are the exact jurisdictions that serve as the main conduits for capital flight, tax evasion and corruption.

What is the solution?
The information must be disclosed for all countries. No exemptions must be granted. The regulations must also exclude the scope for exempting subsidiaries from reporting, with the regulations being amended to ensure that all activities included in upstream reporting are also reported on a country-by-country basis, in line with similar legislation in other countries.

2010 — 2014

- TYPE AND TOTAL AMOUNT OF PAYMENT FOR EACH PROJECT
- TYPE AND TOTAL AMOUNT OF PAYMENT MADE TO EACH GOVERNMENT
- TOTAL AMOUNTS OF PAYMENTS, BY CATEGORY
- THE GOVERNMENTS THAT RECEIVED THE PAYMENTS, AND THE COUNTRY THE GOVERNMENT IS LOCATED
- THE PROJECT TO WHICH THE PAYMENTS RELATE
- CURRENCY USED TO MAKE THE PAYMENT
- FINANCIAL PERIOD IN WHICH THE PAYMENT WAS MADE
- BUSINESS SEGMENT OF HTE RESOURCE EXTRACTION ISSUER THAT MADE THE PAYMENT

Basic country-by-country reporting

Tax payments to governments can indicate corruption if these do not match what governments claim to have received. (Dodd-Frank/EU)

- PRODUCTION (per type)
- # EMPLOYEES 31.12.
- INVESTMENTS (mill USD)
- REVENUES (mill USD)
- COSTS (mill USD)
- CASH TAX IN THE P&L
- PAYABLE TAX DEBT 1.1.
- PAYABLE TAX DEBT 31.12.
- IN NOTES TO THE ACCOUNTS
- NO EXEMPTIONS, ALL COUNTRIES INCLUDED

Extended country-by-country reporting

Tax payments to governments reported in context can show which countries cash flows end up in.

HELP US CONTINUE OUR WORK:

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PWYP Norway is the Norwegian chapter in a network of 800 organisations from more than 70 countries worldwide. We work for financial transparency in the extractive industry to promote sustainable societies.

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