# Corporate Tax Tracker: Frequently Asked Questions

## 1. What is the Corporate Tax Tracker?

The Corporate Tax Tracker is an online, interactive tool developed by Transparency International EU (TI EU) that aims to visualise publicly available key financial data published by banks in their annual country-by-country (CbC) reports. This platform allows anyone to compare and analyse banks' activities and payments in different jurisdictions of operation. Currently the platform includes information on turnover, profits, taxes paid and number of full-time employees. It illustrates banks' activities, locations and tax payments in an easily understandable and comparable format. The data visualisation aims to provide more of an insight into the corporate tax world by visualising the overall state of its financial information in one place.

## 2. Why does TI EU collect and visualise this data?

CbC reports provide transparency on the main trends concerning tax payments and activities of the reporting companies. As part of its campaign for improved corporate tax transparency, TI EU developed the Corporate Tax Tracker to provide a visual overview of the first publicly available country-by-country reporting (CbCR) data. TI EU's main objective with the development of this online platform is to visualise large sets of data accessible from banks' CbC reports.

TI EU sees the platform mainly as a data visualisation and awareness-raising tool. Transparent data can give an indication of the prevalence of tax abuse, which has not been possible so far due to the information not being publicly available. TI EU also intends to use the platform as an advocacy tool with the objective of contributing to the formulation of policy proposals aimed at improving and expanding the availability of public CbCR data.

## 3. What corporate sectors are included in the online platform?

In the EU, only the banking sector is currently required to publish full country-by-country financial reports. Hence, this online platform currently only focuses on this sector. All banks headquartered in the EU have been obliged to publicly report on their operations on a country-by- country basis since 2015. This is part of a legislative requirement set out in the Capital Requirement Directive (CRD) IV. TI EU's goal is to extend the data to other sectors, as legislation for all sectors is adopted and companies start publishing their CbC reports.[1] Our current focus on banks is therefore based solely on the availability of public CbC reports.

[1] In April 2016, the European Commission published a legislative proposal to increase corporate tax transparency also referred to as *public country-by-country reporting* (CbCR). Public CbCR is the publication of a set of key financial data by multinational enterprises for each country they operate in as part of their financial statements with the aim of providing the public with a global picture on the activities, structures and taxes multinational enterprises pay on their corporate income. This data includes profits, losses, sales and purchases within the corporation, taxes and payments to governments as well as other information. In July 2017, the European Parliament adopted its position on the draft proposal in plenary. In the past years, the Council of EU Member States has discussed its proposed amendments to the Directive. A lack of consensus between EU Member States about the European Commission's proposed rules and disagreements about the legal basis of the legislative proposal have delayed the adoption of a 'general approach', or a final negotiating position that would allow the

commencement of trilogue negotiations with the European Parliament and the Commission. The negotiations are currently stalled. The blocking countries appear to be Austria, Croatia, Cyprus, Czech Republic, Estonia, Germany, Hungary, Ireland, Latvia, Luxembourg, Malta, Slovenia and Sweden. For more details on this legislative process, please see: http://transparency.eu/wp-content/uploads/2020/05/From-tax-secrecy-to-tax-transparency.pdf

## 4. Is financial data from all European banks assessed in TI EU's online tool?

The first launch of the Corporate Tax Tracker in October 2018 included data from the 20 largest European banks. In 2019 and 2020, TI EU worked on an update of the Corporate Tax Tracker, which was launched in October 2020. It now covers data from 39 of the largest European banks.

## 5. Which data sources are used for the Corporate Tax Tracker?

The data visualised in the first launch of the Corporate Tax Tracker comes from the first CbC reports published by the 20 largest European banks in 2015. It was originally collected by Oxfam for its report *"Opening the Vaults: The use of tax havens by Europe's biggest banks"*. Currently, the data is scattered throughout the banks' annual reports, other report formats and corporate websites and is not collected in one place. The data is presented as it is in the banks' reports. The current version of the platform extends the dataset from 20 to 39 banks and includes four additional reporting years (2016, 2017, 2018 and 2019). For the current update and additional data included on the website, we have used the annual average conversion rates by the European Central Bank.[1] The list of the 50 largest banks in Europe by total assets was published in May 2018 by the *Business Insider* based on research carried out by S&P Global Market Intelligence.[2] However, TI EU's Corporate Tax Tracker does not include all of the 50 largest banks in Europe for various methodological reasons, which are explained in further detail in the 'About' page of the website.

The Corporate Tax Tracker also highlights countries that have not met the EU's criteria related to tax transparency, fair taxation and the implementation of OECD BEPS (Base Erosion and Profit Shifting) measures. These countries have been included in the EU's list of non-cooperative jurisdictions for tax purposes, often dubbed as the EU list of tax havens, which is subject to change.[3] The list, adopted in December 2017, includes non-EU countries or territories that failed to make sufficient commitments in response to EU concerns on good tax governance. As this list has changed since its adoption, we will continue to monitor and update the jurisdictions. The EU list contains information of both non-cooperative jurisdictions – the so-called blacklist – and countries that have made specific commitments to implement tax good governance principles – the so-called 'grey list'.
However, we believe that this list is the result of a flawed and opaque political exercise and, by

[1] Source: European Central Bank annual averages: www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.en.html. These conversion rates were used by the Charles University in Prague for the CBCR data collection carried out for Professor Petr Jansky's study *European Banks and Tax Havens: Evidence from Country-by-Country Reporting*.

[2] The full list of the 50 largest European banks is accessible at the following link (July 2020): https://www.businessinsider.com/largest-banks-europe-list?r=US&IR=T.

[3] At the time of writing, the following countries are part of the EU's list of non-cooperative jurisdictions: American Samoa, Cayman Islands, Fiji, Guam, Oman, Palau, Panama, Samoa, Trinidad and Tobago, US Virgin Islands, Vanuatu, Seychelles. The updated list may be found here: https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/.

design, does not include EU Member States in its scope, despite extensive evidence showing how some of these countries play an important role in corporate tax avoidance.

### 6. What indicators has TI EU used for its data analysis?

For its data analysis, TI EU used the following indicators:

- **Productivity** – the amount of profit made per employee
- **Profitability** – the amount of profit made in comparison to turnover
- **Discrepancies between nominal and effective tax rate**
- **Productivity imbalance** – the comparison between the profits of a single operation with the profits to be expected by the bank if employees in that jurisdiction were of average productivity.

### 7. Where can I find the data TI EU has used for the development of the Corporate Tax Tracker?

All the data visualised in the Corporate Tax Tracker is publicly available in the CbC reports published by the 39 European banks included in the dataset. All the reports are accessible on the banks' websites.
Currently, the data is scattered throughout the banks' annual reports or other report formats and corporate websites, and is not collected in one single place. It is usually reported in pdf instead of open machine-readable data format, which makes it challenging to compare it with other data. This website provides an easily accessible tool to visualise the data and compare the operations of the different banks among each other.

The Capital Requirement Directive (CRD) IV does not require banks to publish their reports in a central repository and the information is not required to be published in any particular format. Locating the reports and collecting the relevant data has thus proven to be challenging and time-consuming for users. Meaningful financial transparency can only be achieved through accessible and comparable data. This loophole in the legislation can be closed by requiring the publication of banks' CbC reports to a central online repository, freely accessible to the public, and by requiring the reports to be published both in pdf and in open-machine readable data format.[4]

### 8. Which countries are highlighted in the platform?

In the Corporate Tax Tracker's "country profiles" section, all countries of operation of the 39 European banks are visualised thanks to a selection of graphs and a world map, which allows users to zoom in on specific countries of interest and visualise banks' activities both at global level and information on their turnover, profits, number of employees and taxes paid in each particular jurisdiction.

Special focus has been given to banks' countries of operation included in the EU's list of non-cooperative jurisdictions for tax purposes, also referred to as the EU's list of tax havens. Countries that

[4] Open Knowledge Foundation, Defining Open Data, https://blog.okfn.org/2013/10/03/defining--data/

failed to make sufficient commitments in response to EU concerns on tax good governance and countries that have made specific commitments to implement tax good governance principles – respectively on the EU's so called black list and grey list – have been highlighted in a pie chart in this section.

**9. Are all the banks highlighted in the 'risk indicators' section avoiding their taxes?**

The data is too limited in scope to allow for a proper assessment and make allegations on potential profit shifting and tax avoidance practices.

The exact disclosure requirements included in the Capital Requirement Directive are as follows:

*(a) name(s), nature of activities and geographical location;*
*(b) turnover;*
*(c) number of employees on a full time equivalent basis;*
*(d) profit or loss before tax;*
*(e) tax on profit or loss;*
*(f) public subsidies received.*

The objective of our Corporate Tax Tracker is not to accuse any of the featured banks or companies of tax avoidance. Instead, it aims to visualise the main trends in their tax payments and strategies in order to:

- Highlight the discrepancies and anomalies in the data published by banks and companies on their corporate taxes paid, profits, turnovers and numbers of employees in certain jurisdictions.
- Demonstrate the value of public CbCR by telling concrete stories behind the data.
- Demonstrate the limitations of the current public CbCR legislation for the banking sector due to the lack of reporting requirements of certain key data.

The available data provides only a glimpse into the world of banks' financial flows, which by no means encompasses the full complexity of tax accounting. It has limitations that suggest better legislation is required. For example, the fact that legislation requires banks only to disclose the net figure of corporate income tax paid that year makes it impossible to tell whether or not the amount paid included any deferred tax from previous years – either tax credit or tax expense. What could appear as a case of tax avoidance if looking only at figures in one year of accounting can suddenly become a legitimate tax expense once we see the tax flows in previous financial years. **For this reason, our research findings should not be interpreted as a verdict on the level of taxes paid by European banks, but rather as a guide to understanding tax planning patterns in the sector over the past five years.**

Discrepancies between a bank's nominal and effective tax rate are not necessarily an indication of tax avoidance or profit shifting. Corporation tax payable in a given year does not necessarily relate to the profits earned in the same year, as tax on profits is usually paid across multiple years. This means that it is possible that relatively high corporation tax can be paid when profits are low and vice-versa. This is a loophole in the legislation itself, as banks are currently not required to publish data for their deferred taxes as well as the figures for taxes paid in that year.

The current European Commission's legislative proposal on public CbCR for multinationals of all sectors recognises this important element and requires companies to publish data on both the amount of income tax paid and the amount of income tax accrued for each relevant financial year.

**10. What is TI EU's position on corporate tax transparency?**

Companies have legal and ethical obligations to operate honestly. A first step is for companies to be transparent about their operations. In the current international financial system, multinational companies are under no legal obligation to disclose information regarding their activities, profits and the taxes they pay in each country of operation. Key financial data is published annually in a consolidated financial statement. This allows some companies to obscure their presence in secrecy jurisdictions or jurisdictions with low or zero tax rates, use legal loopholes to hide their profit-shifting practices aimed at reducing their tax bills, and avoid public scrutiny and accountability altogether.

The current system makes it impossible to understand what is happening within a group of companies from a tax perspective and track their contributions to the societies they operate in. On top of this, as many recent corporate tax scandals have shown, acts of corruption are very often aided by the use of opaque company structures and secrecy jurisdictions. The use of offshore companies and their lack of transparency pose increasing risks for local communities, a healthy business environment and society at large.

TI EU believes that knowing what large companies pay in taxes and where they pay it is clearly in the public interest. Only with full transparency will citizens be able to choose, as consumers of companies' products and as voters of their own governments.

**11. Why is the availability of this data so important?**

The EU can put an end to multinationals' secrecy by adopting mandatory legislation on corporate tax transparency, requiring all large companies from all sectors to publish key financial information on a country-by-country basis, so called public country-by-country reporting (CbCR). The primary purpose of this legislation is to increase corporate accountability and transparency by providing citizens with adequate information to assess multinationals' economic activities, payments, structures and whereabouts. Comprehensively implemented, public CbCR would enable citizens worldwide to 'follow the money'. It will also contribute to ensuring that taxes are paid where they are due providing adequate revenue for critical public services.

A legislative process on this issue is currently ongoing at EU level, following a European Commission proposal published in April 2016. The European Parliament adopted its position on the matter in July 2017. Ever since, a lack of consensus between EU Member States about the European Commission's proposed rules and disagreements around the legal basis of the legislative proposal have delayed the adoption of an EU Council position that would allow the commencement of trilogue negotiations with the European Parliament and the Commission.