



THE DEPUTY LEADER OF THE HOUSE OF LORDS

The Rt Hon Baroness Kramer
House of Lords
SW1A 0PW

22 March 2021

Dear Baroness Kramer,

Following the Grand Committee debate on the Financial Services Bill on Wednesday 10 March, I committed to respond to your questions about the publication of Country-by-Country Reporting. This follows my letter in response to your questions regarding the Ministerial Code and Ministerial intervention in FCA investigations.

The UK has led on implementing international standards in tax transparency, such as Country-by-Country Reporting, as you highlighted.

Country-by-Country Reporting was one of the recommendations agreed in 2015 as part of the OECD Base Erosion and Profit Shifting Project. This standard requires multinational groups that have global revenues exceeding €750m to submit annual reports to the multinational group's headquarters' tax authority. The authority then exchanges the report with the tax authorities of each country that the multinational group operates in.

The reports provide tax authorities with information on the global activities, profits and taxes of multinational enterprises for the purposes of ensuring tax authorities have the information they need to identify and assess tax risks and challenge avoidance. The UK has implemented this standard and HMRC has been receiving these reports from 2016 onwards.

To enhance tax transparency further, there were also discussions at the EU level regarding a potential agreement to mandate the publication of these reports in the EU: the Public Country-by-Country Reporting initiative.

The UK has always supported the policy objective behind that initiative, but it has also been clear that broad multilateral implementation would be needed to ensure it resulted in tax transparency at a global level for multinational groups headquartered in different countries.

Attempting to implement Public Country-by-Country Reporting without wide international support and co-ordination would make the published information incomplete and create incentives or opportunities for groups to restructure to avoid disclosure.

I can confirm that to date the UK has not mandated the publication of Country-by-Country Reports for UK headquartered multinational groups, nor has it blocked any such potential

international agreement on Public Country-by-Country Reporting. The UK has objected to the OECD publishing aggregated and anonymised statistics based on Country-by-Country Reports submitted to HMRC, but only on the grounds that there are serious data quality issues that would otherwise reduce rather than increase the value it has in supporting transparency.

Finally, I can confirm that the amendments in the Bill are not a mechanism for weakening Country-by-Country Reporting requirements. As I set out in the debate, banks will remain subject to the existing requirements, and Schedule 1 to the Bill ensures that requirements will continue to apply to investment firms, with an exception for small and non-interconnected investment firms. These requirements remain in place in legislation, which will not be revoked as a result of this Bill.

I hope you have found this information helpful. I am copying this letter to all those who spoke in the debate on 10 March, and I am placing a copy in the Library.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Howe', written in a cursive style.

EARL HOWE

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