



## Submission to EFRAG re:

### Consultation on EFRAG's proactive work

Submitted to [commentletters@efrag.org](mailto:commentletters@efrag.org) 30 September 2010

#### Those making this submission

This submission is being made jointly by:

- **Tax Research LLP** which is a consultancy that works mainly on taxation and related accounting and economic issues. Its clients are mainly non-governmental organisations and civil society organisations. The objective of its work is the development of taxation mechanisms that can assist the relief of poverty both within domestic economies and internationally. Tax Research LLP is directed by Richard Murphy FCA, the creator of the country-by-country reporting concept for multinational corporations referred to in the submission that follows.
- **The Tax Justice Network** which promotes transparency in international finance and opposes secrecy. It supports a level playing field on tax and opposes loopholes and distortions in tax and regulation, and the abuses that flow from them. The Tax Justice Network promotes tax compliance and opposes tax evasion, tax avoidance, and all the mechanisms that enable owners and controllers of wealth to escape their responsibilities to the societies on which they and their wealth depend. Tax havens, or secrecy jurisdictions as the Tax Justice Network prefers to call them, lie at the centre of its concerns, and it opposes them.

#### Summary of submission

This submission notes EFRAG's request for comment on *"the areas where you think we should undertake proactive work"*.

In the interests of brevity we suggest the following areas of work now need your urgent attention:

1. The IASB's post-implementation review of IFRS 8 'Operating Segments'. We attach our recent submission to the European Commission on why we believe country-by-country reporting must be incorporated in its Transparency Directive and we reiterate that we believe that without such disclosure being incorporated into IFRS 8, as was requested by the EU Parliament prior to adoption of IFRS 8 then that standard will continue to fail to meet the

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broad mandate of the ISAB to produce International Financial Reporting Standards in the interest of all users of financial statements. On that basis this must be your top priority for action.

2. The financial crisis has also highlighted the impact of financial failure on society. This suggests that the current believe of the International Accounting Standards Board that the main uses of financial statements are those who engage in financial markets and that all other users can satisfy themselves with data prepared for those with that primary interest is wrong. As such we suggest that the second priority for EFRAG is more broadly based. We suggest EFRAG should address the following issues:
  - a. What is financial reporting for?
  - b. Who is financial reporting for?
  - c. What information do stakeholders need from accounts?
  - d. How do financial statements evidence a commitment by the corporation to society – not least by paying tax?

We suggest such review should focus on these issues:

- i. The current opacity regarding ownership of such multinational corporations;
- ii. The opacity regarding the structure of such multinational corporations;
- iii. The almost complete lack of information currently available on the internal trading of multinational corporations, and;
- iv. The current absence of information of the geographical impact of the activities of multinational corporations.

We believe that in combination these weaknesses in the current reporting requirements of multinational corporations leave them unaccountable for their actions to any identifiable party and that this has in turn allowed them to operate in what we call the ‘secrecy space’.

We explore this issue more thoroughly in the attached paper and strongly recommend that EFRAG turn its attention to his matter.

## **Please note the attached documents form part of this submission**

1. Tax Research LLP / Tax Justice Network submission on the EU Transparency Directive
2. Task Force on Financial Integrity and Economic Development publication ‘Country-by-Country Reporting: Holding Multinational Corporations to Account Wherever They Are’.

Yours faithfully

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