



Sustainable taxes and economic growth post-Covid

The role for European multinational companies

SPEAKERS

INTRODUCTION

- Michael Ludlow, Chair, European Business Tax Forum (EBTF); Group Head of Tax, SwissRe

STUDY RESULTS

- Mai Trinh, EBTF member; Head of tax risk, reporting and reputation, RELX
- Prof. Dr. Peter Hongler, Professor of Tax Law, University of St. Gallen

PANELISTS

- Michael Ludlow, Chair, EBTF; Group Head of Tax, Swiss Re
- Prof. Dr. Peter Hongler, Professor of Tax Law, University of St. Gallen
- Edwin Visser, Deputy Global Tax Policy Leader, PwC
- Kurt Van Dender, Acting Head of the Tax Policy and Statistics Division, OECD

MODERATION

- Dave Keating, Euractiv, Brussels correspondent at France 24

MEDIA Partner: Euractiv

Welcome & introductions

Michael Ludlow, Chair, EBTF; Group Head of Tax, SwissRe



Introducing the European Business Tax Forum

European business raising the bar in the public tax debate

Thought leadership group of the largest European MNE's Tax Directors

- EBTF welcome tax transparency but note lack of data/analysis. EBTF provides leading Tax Directors with an opportunity for dialogue, sharing data, networking and impact on the political tax debate.
- Not a lobbying or advocacy group; undertake research and publish reports to inform the debate; bring different stakeholders together to discuss the publications.
- Membership categories: full member (c.€15k p/a), Observer (c.€11k p/a), TTC participating member, Others.
- Focus areas include:
 - Publish an annual Total Tax Contribution (TTC) Study – c.60 of the biggest MNEs in Europe
 - Focus on 5 “Ps” tax areas: Profit / People / Property / Planet / Product
 - Annual country by country report also produced for the last 3 years
 - Tax in the Media report produced 2023 in partnership with University of Amsterdam

Introducing the European Business Tax Forum

European business raising the bar in the public tax debate

- Other projects



The EBTF welcomes interest from other European companies that share the EBTF's views and wish to consider joining the association. If you are interested in finding out more, please visit our website (www.ebtforum.org) and contact us at info@ebtforum.org.

Presentation of key results



5th edition of the TTC: A study of the largest companies headquartered in Europe (available at: ebtforum.org/ttc)

Mai Trinh, EBTf member; Head of tax risk, reporting and reputation, RELX

Purpose and outline of the studies

1

This is the fifth edition of the Total Tax Contribution (TTC) study for the European Business Tax Forum (EBTF), building on the success of the previous four studies.

2

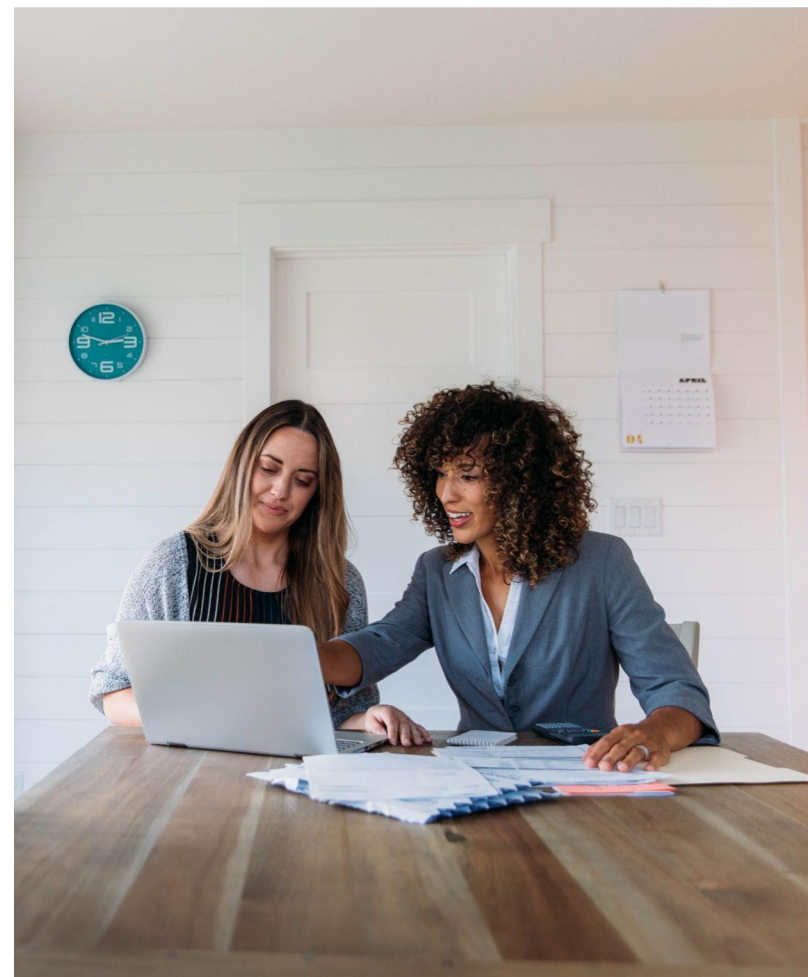
The ongoing challenges of the cost of living crisis and inflation make it crucial to find the right balance of taxation to support economic recovery and provide adequate resources for public services.

3

The implementation of Pillar 2 and EU public Country-by-Country Reporting (CbCR) also increases the demand for reliable and thoughtful data to inform the public debate on tax policy and practice.

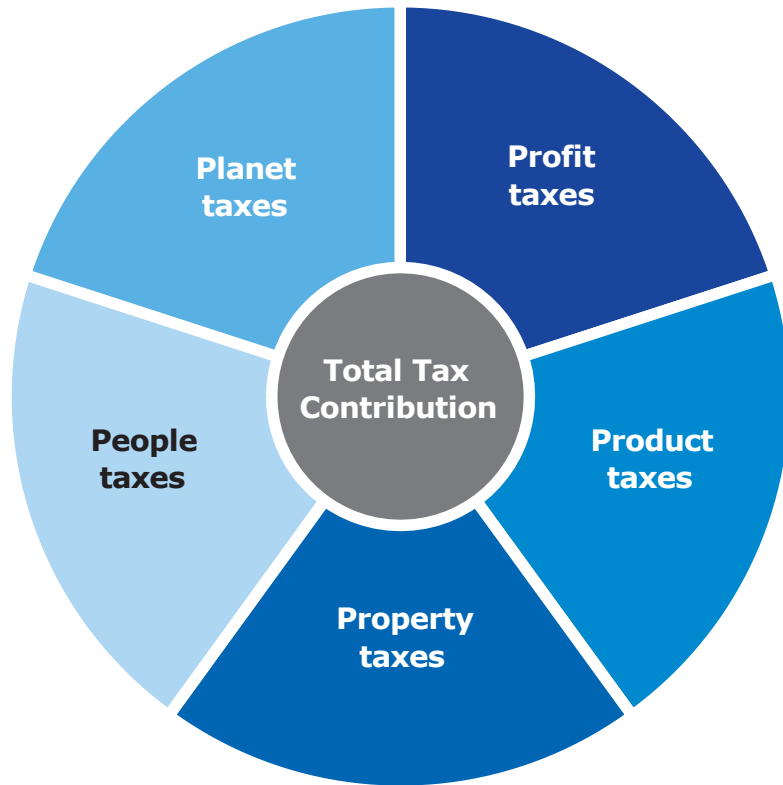
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For the third year in a row, we have broadened the scope of the study to include global operations, with the aim of capturing the global TTC data of the participating companies. This document presents the main findings of our analysis.

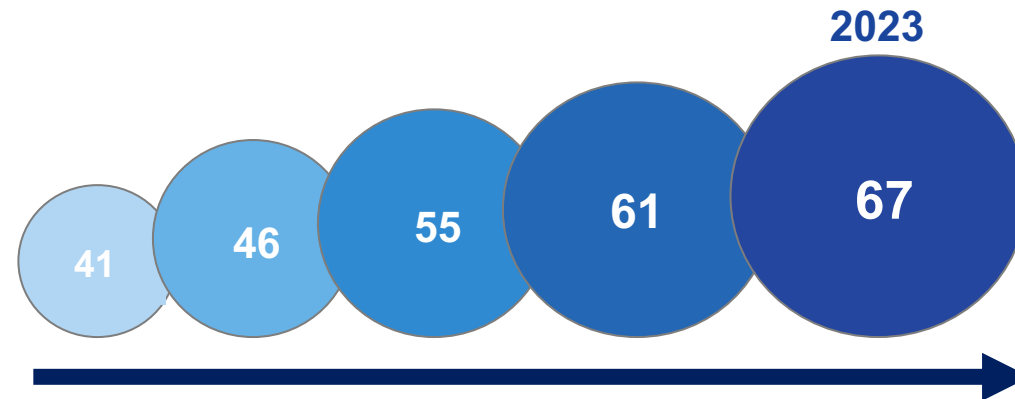


TTC of the largest companies in Europe

In a nutshell



- Surveyed **67** of EU/EFTA/UK largest companies
- **14 sectors, 5 industries**, tax paid in **182 territories**
- **1,918 territories** questionnaires
- **5 tax bases**
- Data on taxes **borne** and **collected** in y/e 2022



Increase in participation since 2018

Key results (1)

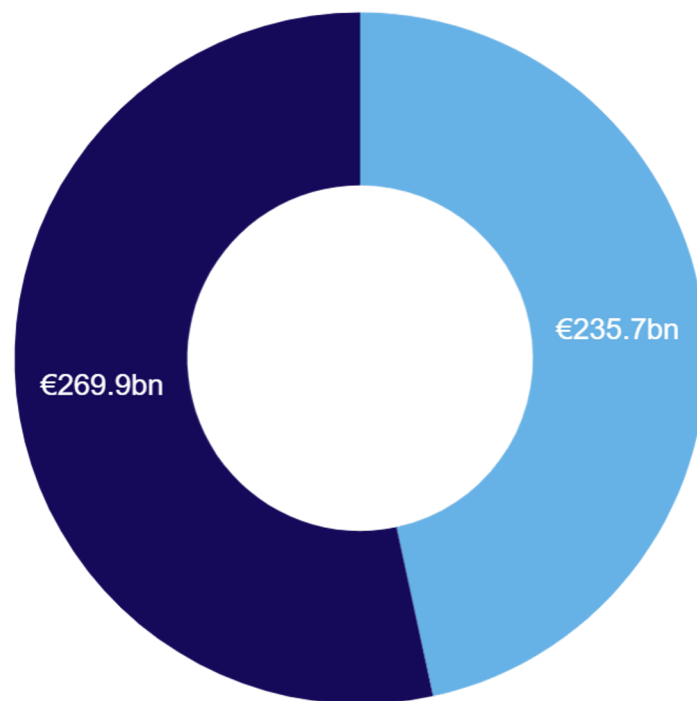
The big picture

Last year (2021 data):

1. TTC was **€395.5bn**.
2. Taxes borne was **€152.7bn** (38.6%).
3. Taxes collected was **€242.8bn** (61.4%).

The global Total Tax Contribution (TTC) of 67 of the largest companies based in Europe is

€505.6bn comprising.



- Taxes borne, **€235.7bn** (46.6%)
- Taxes collected, **€269.9bn** (53.4%)

The TTC of the 67 companies increased by 17.1% globally and by 14.3% in Europe on a like-for-like basis from 2021 to 2022.

The global TTC figure represents:

- More than the 2022 tax receipts of the Netherlands, Hungary, Slovak Republic and Luxembourg combined (€373.7bn, €59.4bn, €38.5bn, and €30.8bn respectively), or Norway, Poland and Slovenia added together (€245.1bn, €231.1bn, and €21.6bn respectively)
- €63.60 for every person currently living in the world.

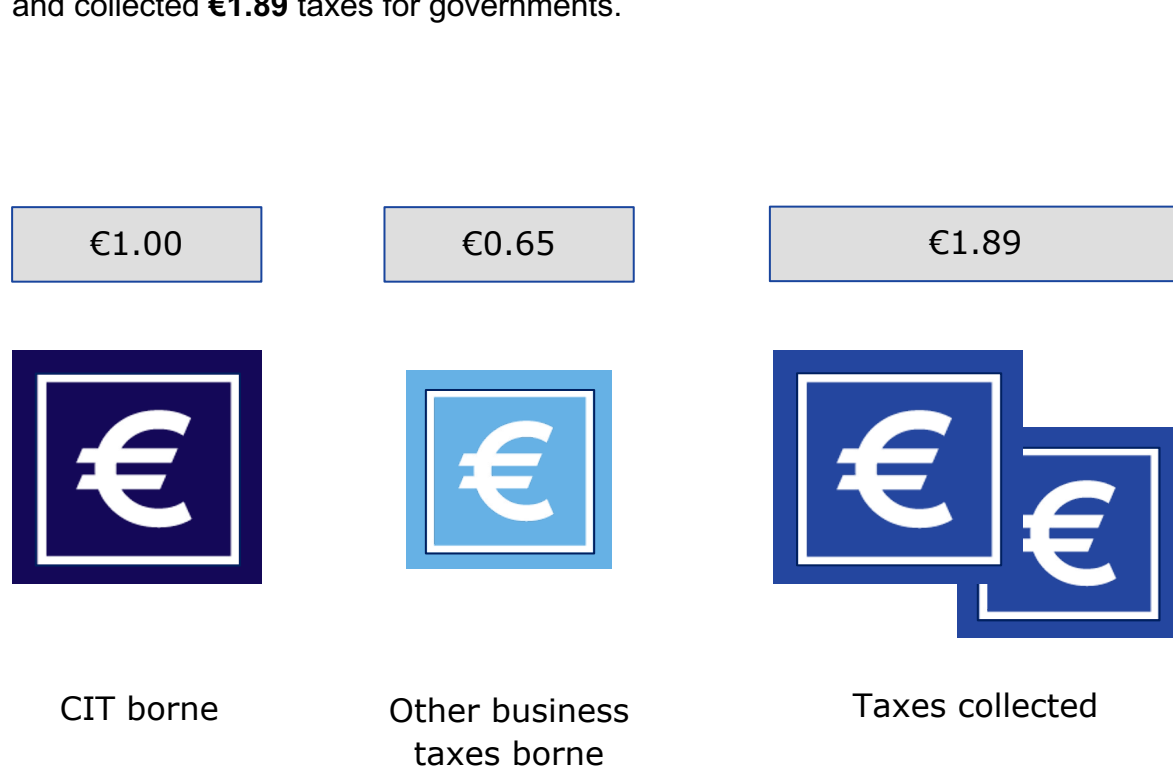


Source: EBTF study participants.
Note: Figures on an overall basis.

Key results (2)

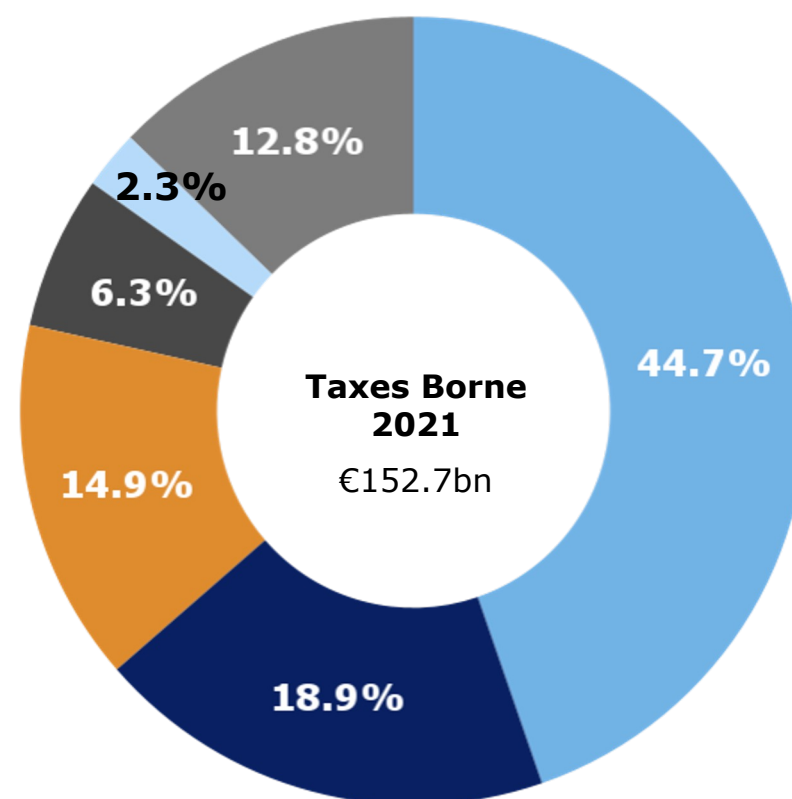
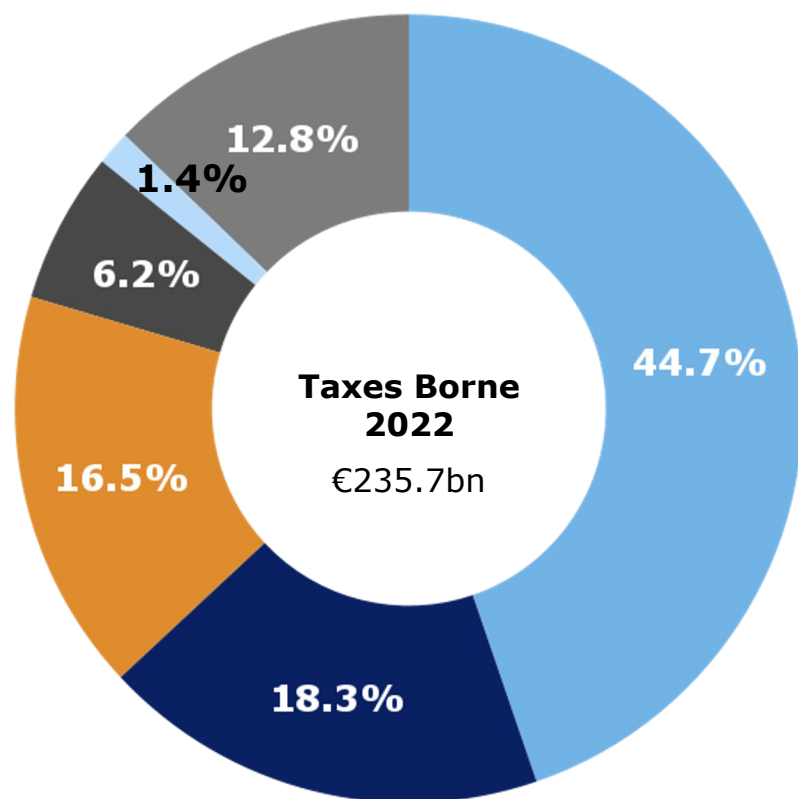
A focus on all taxes contributed

For every **€1** of corporate income tax (CIT) paid, these companies bore **€0.65** in other taxes and collected **€1.89** taxes for governments.



Key results (3)

The profile of taxes borne globally (2022 vs. 2021)



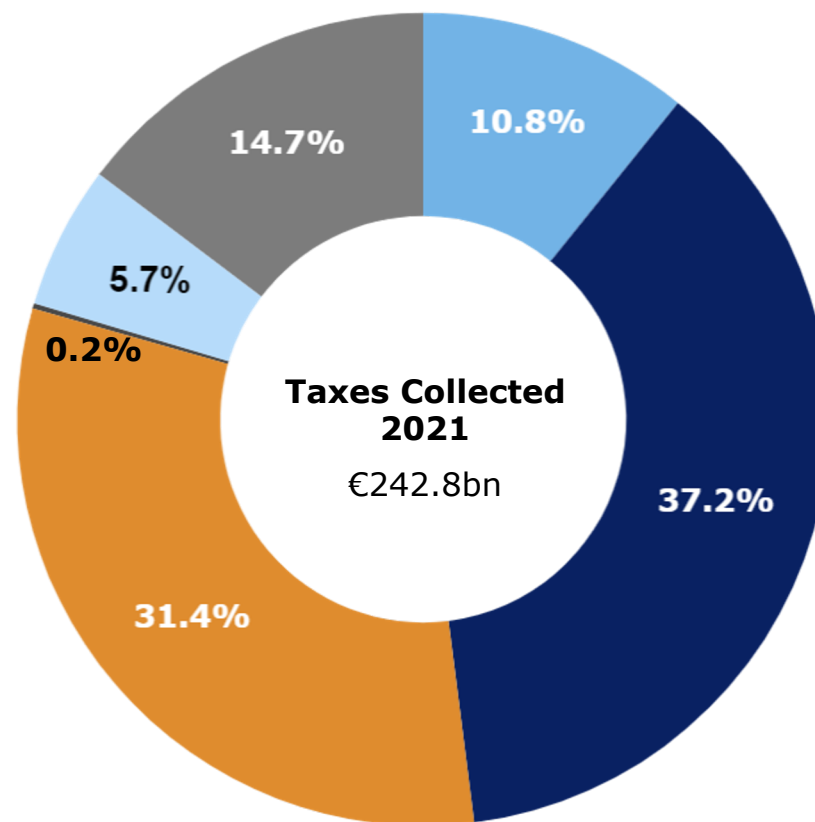
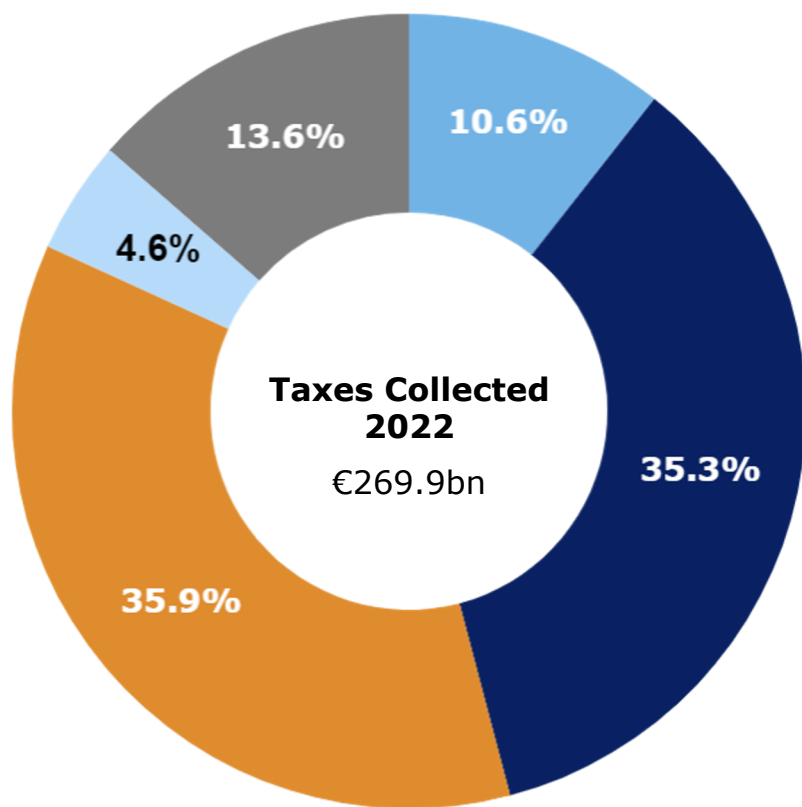
Source: EBTF study participants.

Note: Figures on an average basis by company. Figures may not sum due to rounding.



Key results (4)

The profile of taxes collected globally (2022 vs. 2021)



Source: EBTF study participants.

Note: Figures on an average basis by company. Figures may not sum due to rounding.



Key results (5)

The total tax rate (TTR)

40.9%

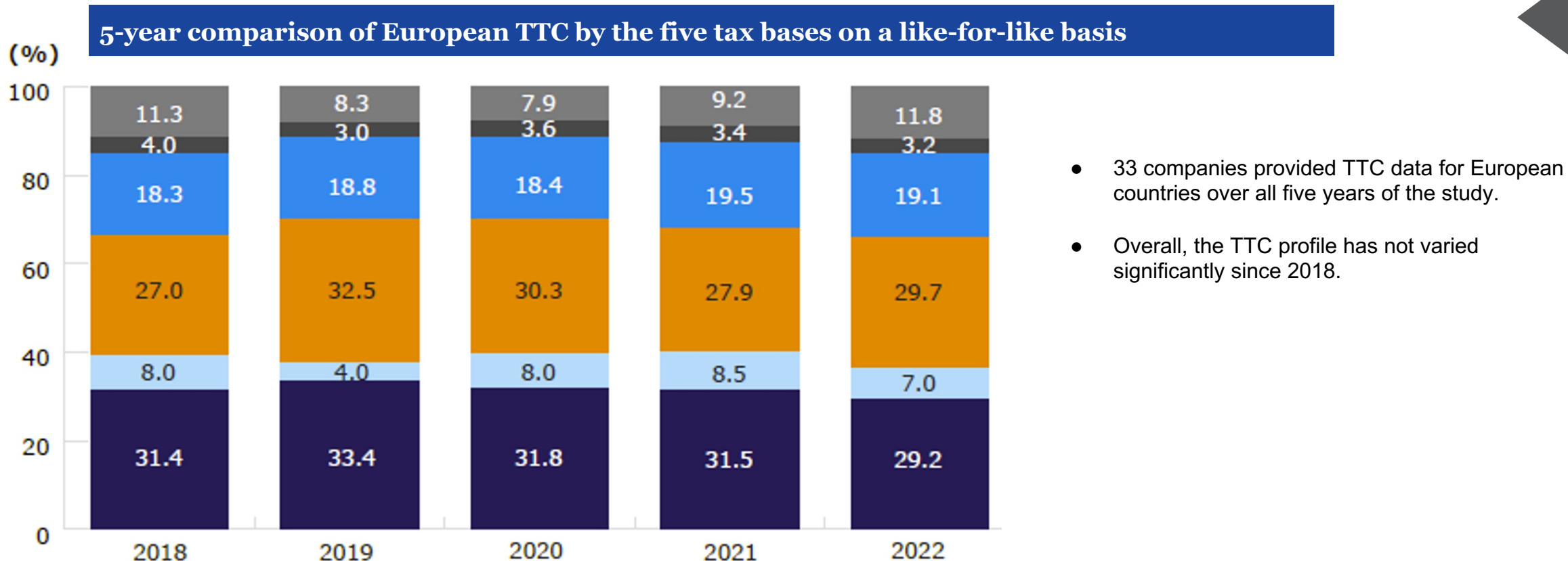
The TTR, or total tax rate, shows how much of a business's pre-tax profit is paid in various taxes.

It is the ratio of total taxes borne, which include corporate income tax, social security contributions, property taxes and others, to profit before total taxes borne. It ranged from 15.9% in Ireland to 63.8% in Brazil.



Key results (6)

European TTC trends 2018-2022

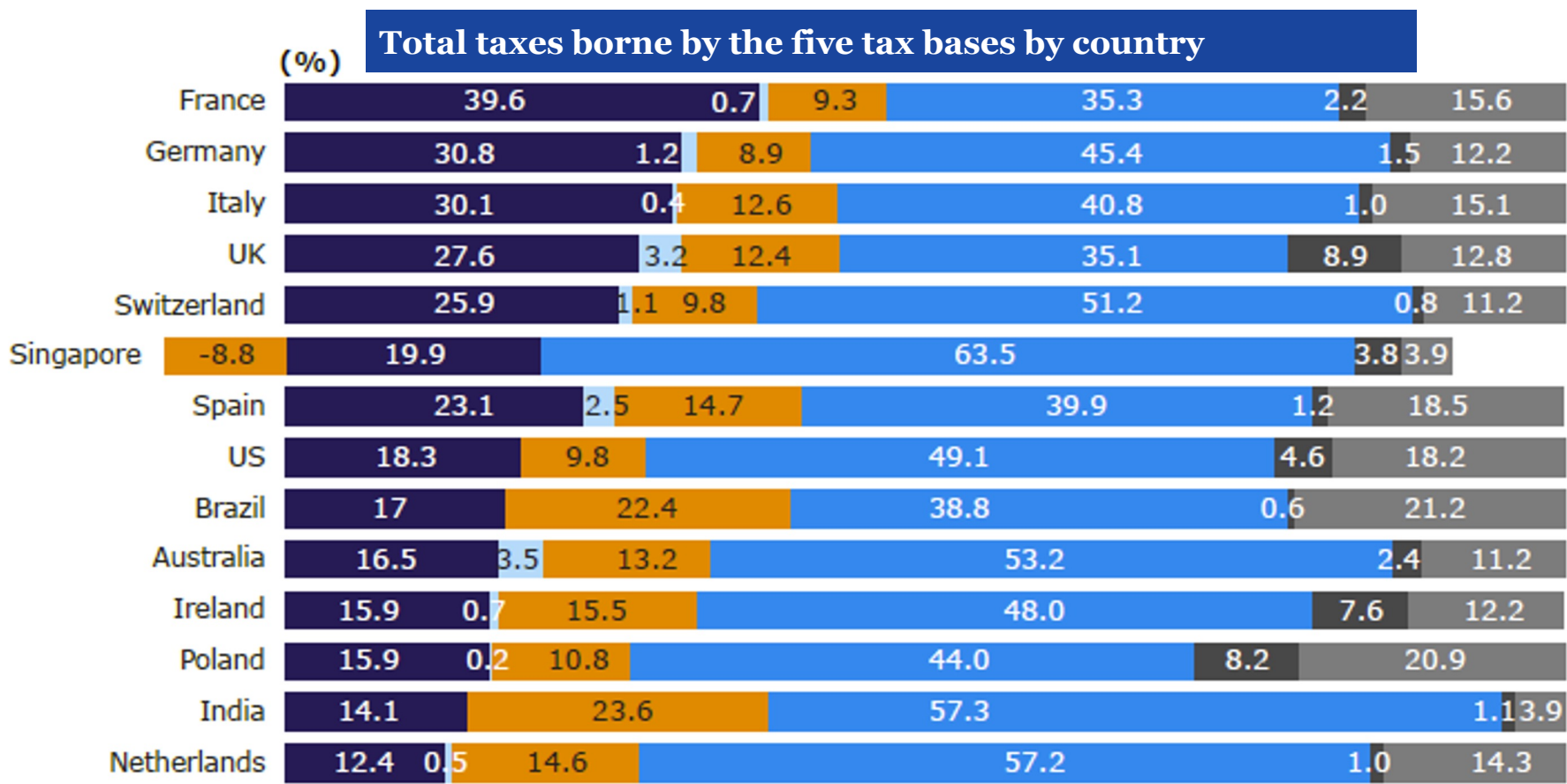


Source: EBTF study participants. Results shown on an average basis.

Profit taxes People taxes Product taxes Property taxes Planet taxes Uncategorised taxes

Key results (7)

A focus on fourteen countries



- Australia
- Brazil
- France
- Germany
- India
- Ireland
- Italy
- Poland
- Netherlands
- Singapore
- Spain
- Switzerland
- United Kingdom
- United States of America

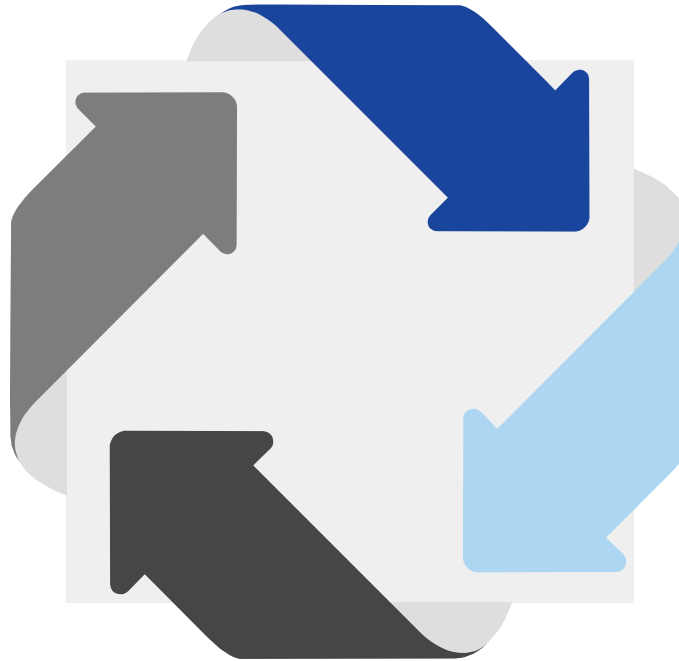
Source: EBTF study participants. Results shown on an average basis.

Profit taxes People taxes Product taxes Property taxes Planet taxes Uncategorised taxes

In summary

More MNCs joined the TTC study for the fifth year in a row, reflecting their commitment to tax transparency and dialogue. 67 of the largest European companies across various sectors and countries shared their TTC data for 2022. The study provides a comprehensive and consistent measure of the total tax contribution of MNCs to public finances.

The TTC of the 67 companies increased by 17.1% globally and by 14.3% in Europe on a like-for-like basis from 2021 to 2022. The growth was driven by higher profits, sales and employment, as well as changes in tax rates and policies. The TTC growth demonstrates the resilience and contribution of the companies amid the COVID-19 pandemic and recovery.



The TTC of the 67 companies was €505.6bn globally and €262.4bn in Europe in 2022. Taxes borne (paid by the companies) were €235.7bn globally and €129.6bn in Europe. Taxes collected (withheld or charged by the companies on behalf of others) were €269.9bn globally and €132.8bn in Europe. The TTC reflects the economic activity and value creation of the companies in different jurisdictions, and it is the highest ever recorded in this study.

The study reveals the diversity of tax systems and rates across 14 economies. The average total tax rate, which measures the cost of all taxes borne in relation to profitability, ranged from 15.9% in Ireland to 63.8% in Brazil. The study also shows how different types of taxes account for different shares of the total taxes borne and collected by businesses in each economy.

Presentation of key results

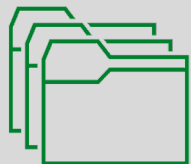


CONTENT

1. Project Overview
2. Phase I: Standard Setters and Rating Agencies
3. Phase II: Stakeholder Survey
4. How to proceed?

Prof. Dr. Peter Hongler, Professor of Tax Law,
University of St. Gallen

Project Overview



Benchmark of Standard-Setter Recommendations

Isolation of unique recommendations and reveal differences and similarities of policy and disclosure frameworks



Comparison of Rating Agencies Methodologies

Gain transparency in the ESG rating agencies approaches to evaluate taxation and identify differences and similarity



Survey and Stakeholder Analysis

Learn about stakeholder views on the topic of sustainable taxations and differentiate between relevant and less relevant items



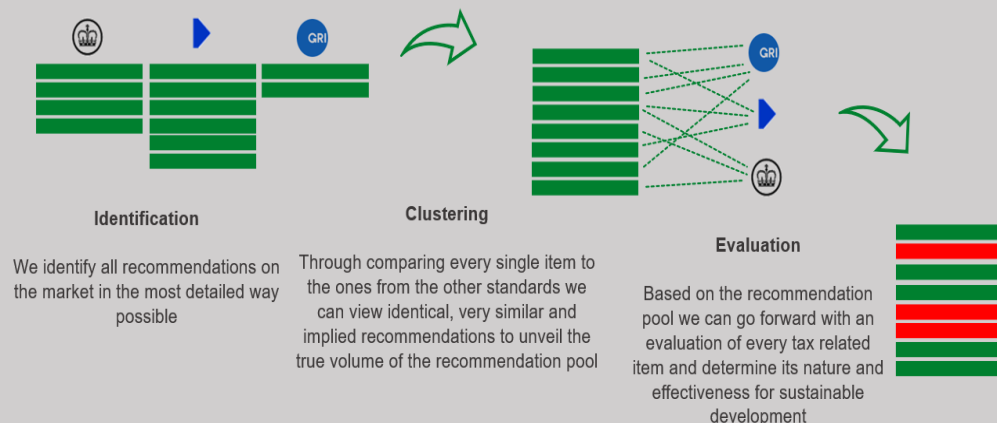
Conclusion

Give food for thinking regarding the aims and importance of taxation in the context of sustainability

Phase I

Benchmark of Standard-Setters Recommendations

Methodology



Results

- Standard setters demand very **heterogenic** recommendations. There is no uniform standard.
- The recommendations can be clustered in the following categories: **Transfer Pricing**, **Use of Tax Havens**, **Public CbCR**, **Tax Rate**, **Tax Governance**, **Regulatory Compliance**

93 unique recommendations could be identified in the the sustainable tax environment.

- Analysed frameworks are: The B Team, GRI, WEF and the UK HMRC.
- Recommendations either focus on tax behavior or disclosures
- For each standard setter it was noted whether a single recommendation is:
 - not included
 - barely implied
 - implied with strong changes
 - Implied by a reporting requirement
 - fully included

Phase I

Relative Weighting of Tax compared to Pillar Weightings

Mostly tax is included as a governance topic.

Only *Refinitiv* views tax as a social issue, specifically within it's "community score".

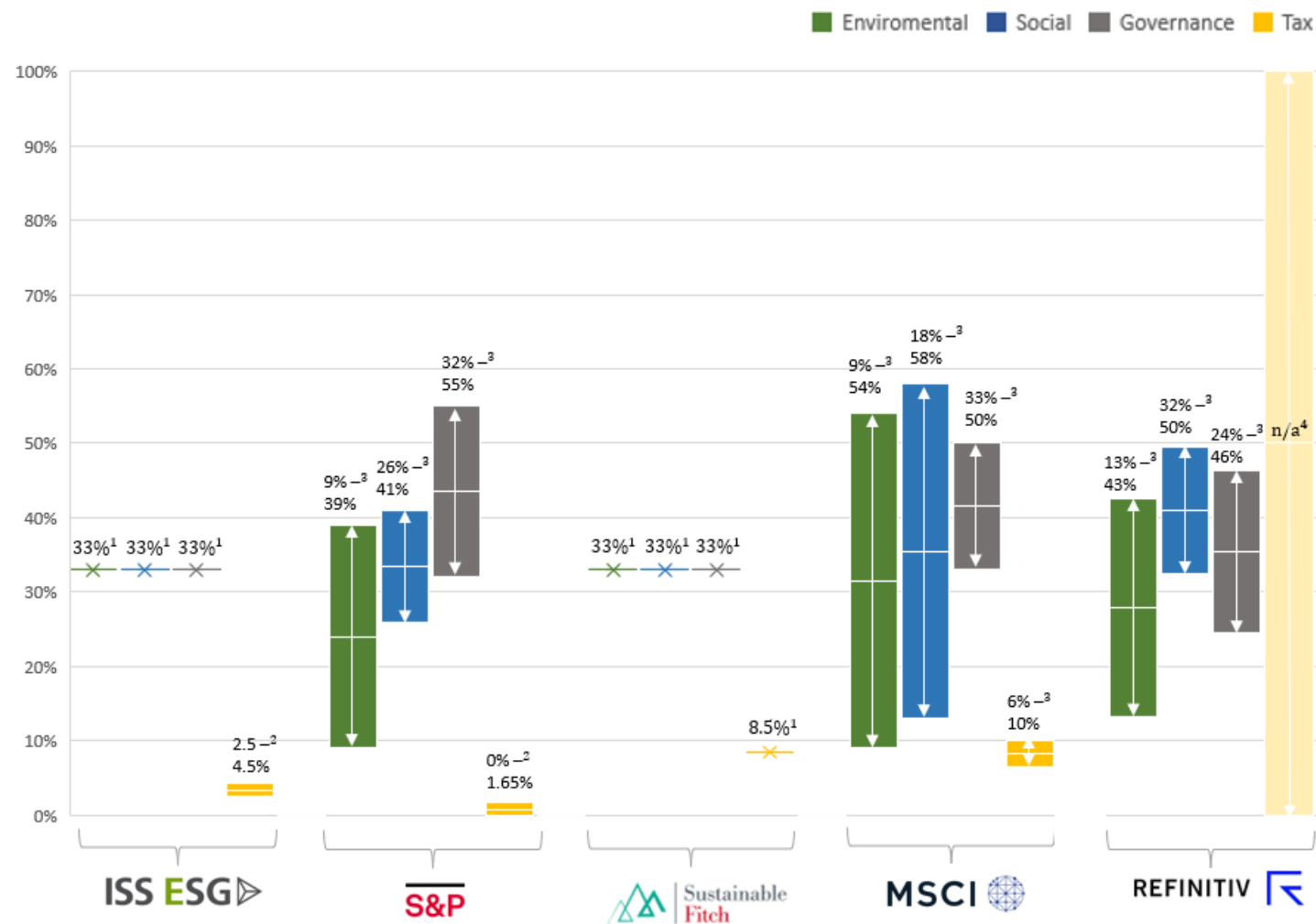
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Estimates based on data gathered during the interviews

²*Mentioned during the interview*

³*Based on average of the EBTF member reports*

⁴*Agency claims that weighting can not be estimated*



Phase I

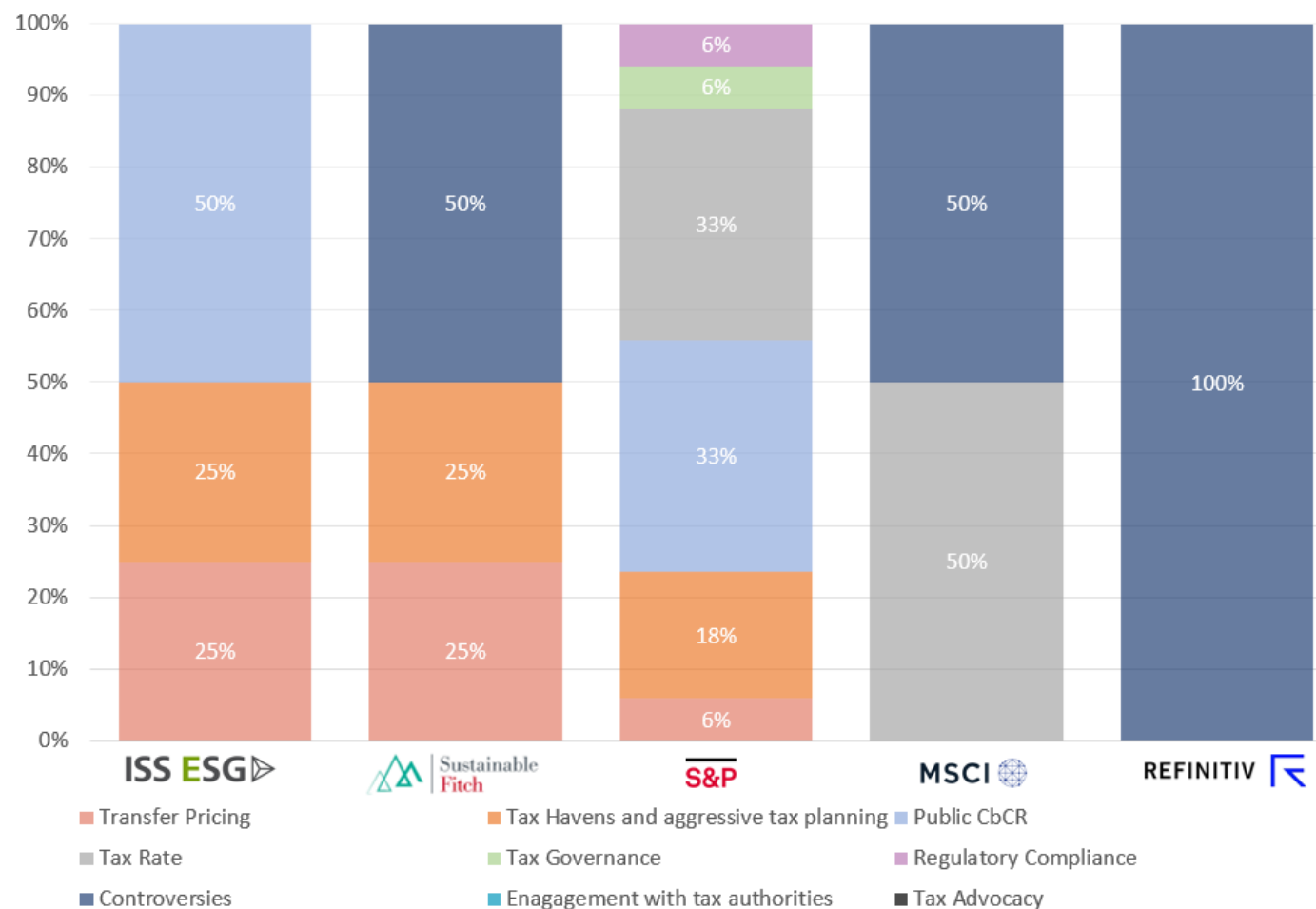
Methodology Construction

Controversies are an important building block of tax evaluations in 3 out of 5 rating agencies, mostly acting as a preliminary check.

Public CbCR is regarded by 2 out of 5 rating agencies, where single items mostly get “checkboxed”.

Plausibility checks for the tax rate were an important indicator for 2 out of 5 agencies.

Transfer pricing, tax havens and aggressive tax planning were medium weighted topics for 3 out of 5 agencies.



Phase I

Key Takeaways

1

The categories:

Transfer Pricing
Use of Tax Havens
Public CbCR
Tax Rate
Tax Governance
Regulatory Compliance.

2

There is no uniform standard

**Every standard-setter has
its own focus areas.**

3

Rating agencies use very different indicators to classify sustainable tax performance.

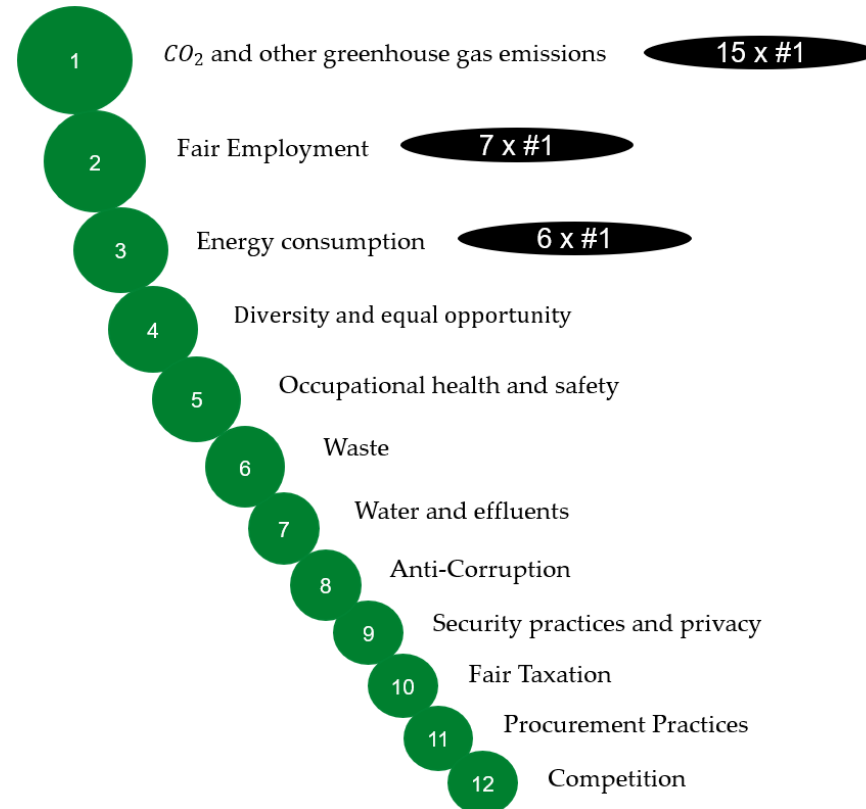
**Also, the disclosures
required by standard-
setters often do not
satisfy the information
demand of rating
agencies.**

Phase II

Stakeholder Survey

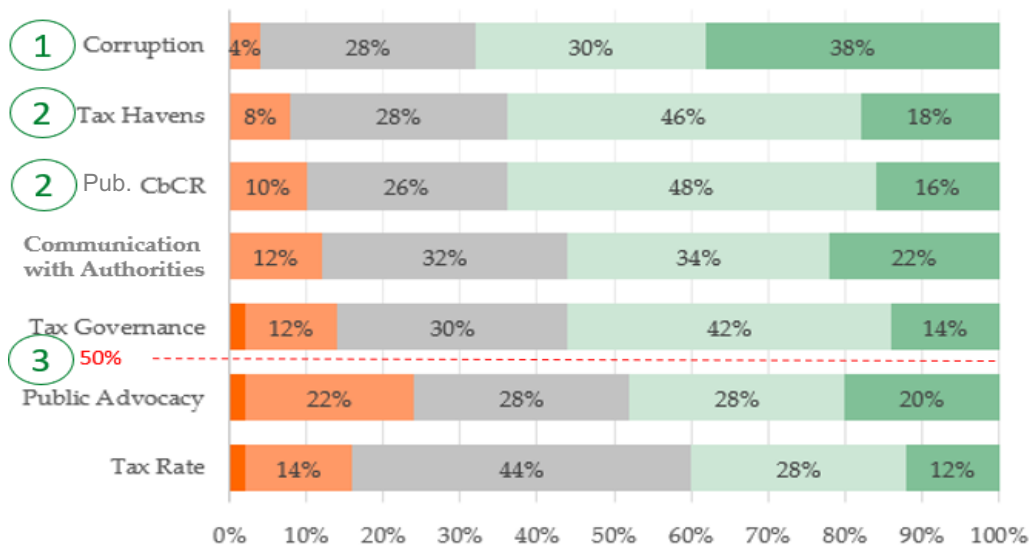
Question: Imagine you had the resources and capabilities to take the topic of sustainable development into your hands. What would be your main priority issues to tackle in your company?

- The illustration provides an overview of each topic's average ranking.
- Environmental and social topics are perceived as relatively necessary then compared to the other components of sustainable development.
- Governance topics were regularly put at the bottom of the priority list.
- Taxation is instead seen as a less urgent topic than the others.

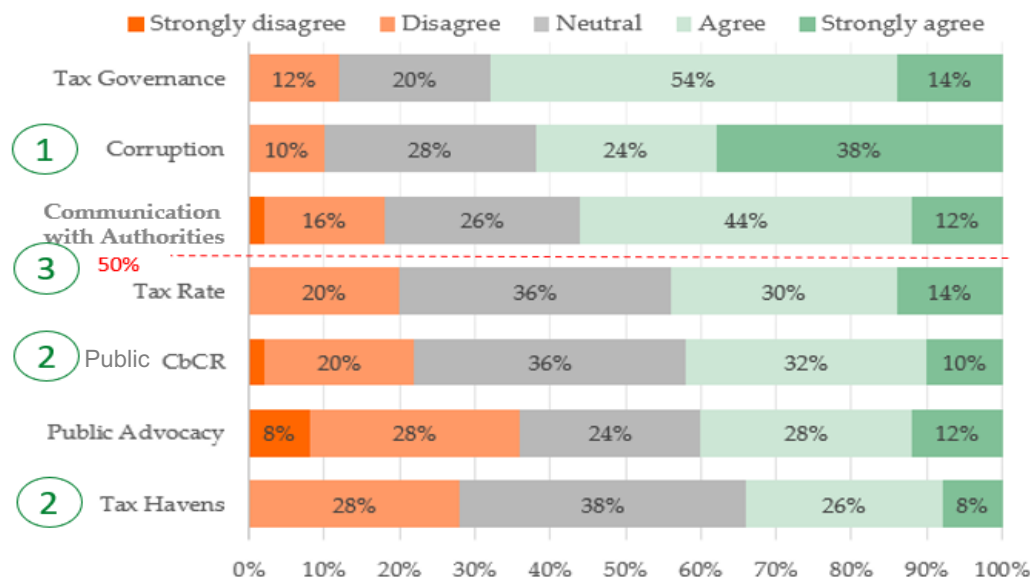


Phase II Stakeholder Survey

Sustainable development rationale (Impact)



Business value rationale (Risk)



Comparing the two different rationales of sustainable development (impact) and enhancing the business value (risk), mentionable similarities and differences can be observed as well.

- ① Prevention of corruption towards tax authorities is shown to be highly relevant for both.
- ② The biggest difference is observed for policies that restrict business in tax havens and CbCR.
- ③ While only two company actions score below a 50% approval rate for sustainable development, the background of pushing the business value shows four of the seven components below the 50% mark.

How to proceed?

A Meaningful Risk Assessment

Reputational risk:

1. It depends on the stakeholder perception
2. Can change over time

Financial risk:

1. Governance recommendations might indeed be helpful – see e.g. GRI 207-2:
 - iii. the approach to tax risks, including how risks are identified, managed, and monitored;
 - iv. how compliance with the tax governance and control framework is evaluated.

How to proceed?

A Meaningful Impact Assessment

Relevant SDG Indicators as developed by the UN (objective consensus):

- Indicator 12.6.1: Number of companies publishing sustainability reports
- **Indicator 16.5.2: Proportion of businesses that had at least one contact with a public official and paid a bribe to a public official or were asked for a bribe by those public officials during the previous 12 months.**
- Indicator 16.6.2: Proportion of the population satisfied with their last experience of public services.
- Indicator 17.3.1: Additional financial resources mobilized for developing countries from multiple sources.

Not all of them can be influenced by MNEs (but Indicator 16.5.2)

How to proceed?

A Meaningful Impact Assessment

Indicator 16.5.2: Proportion of businesses that had at least one contact with a public official and paid a bribe to a public official or were asked for a bribe by those public officials during the previous 12 months. Potential recommendations:

- Use no success fees for audit negotiations (or with consultants/tax advisors) in countries with a high level of corruption. Success fees increase the risk of corruption.
- Implement an or expand an existing supplier code of conduct to tax advisors/legal advisors.
- A supplier code of conduct should include a section on the prohibition of corruption and a reporting obligation in case of bribery attempts.
- There should be no link between bonus payments to employees and the effective tax rate of MNEs. Such practice might also increase the risk of corruption.
- A general reporting obligation for all employees in case of attempts of bribery by tax authorities.

Key takeaways



Rating agencies apply very different approaches to measure the tax performance of companies. Both the metrics used but also the overall value attributed to the tax performance differ significantly.



The large number of 93 recommendations results from the highly unaligned approaches also by sustainability standards.



A key reason for the current patchwork in the area of ESG and taxation is that both rating agencies and standard setters follow two partly concurring goals.

- One is to reduce both financial and reputational **risks**, and the other one is to measure the **impact** a company has on the SDGs.



On the impact side, the tax behavior is of limited use for a direct impact assessment.

Please share your views!

- info@ebtforum.org
- www.linkedin.com/company/European-business-tax-forum



A group of business professionals are gathered around a table in a modern office setting. A woman with blonde hair, wearing a light blue checkered top, is smiling and gesturing with her hands while speaking. To her right, a woman with dark curly hair is listening attentively. In the foreground, the back of a person's head is visible, looking towards the speaker. On the table, there is a laptop, a tablet, a white mug, and some papers.

Thank you for attending!

The recording of the seminar will be available soon on the EBTF's website:

www.ebtforum.org/ttc