Australian Tax Office Directive – Public CbCR Proposals

ABI Response

The UK insurance and long-term savings market and the ABI

The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry. A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 300,000 individuals in high-skilled, lifelong careers, two-thirds of which are outside of London.

The UK insurance and long-term savings industry manages investments of over £1.9 trillion, contributes over £16bn in taxes to the Government and supports communities across the UK by enabling trade, risk-taking, investment and innovation. We are also a global success story, the largest in Europe and the fourth largest in the world.

The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK. Please note we would be happy, and stand ready, to provide further information if this would be helpful to OECD.

For the purposes of this response, 'insurers' refers to insurance, reinsurance and long-term savings companies.

1. Summary

1.1. The Association of British Insurers (ABI), which represents over 200 insurance and long-term savings companies operating in the United Kingdom acknowledges receipt of your consultation document on Public Country-by-Country Reporting (CbCR) and appreciates the opportunity to provide feedback on this important matter.

1.2. We are currently in the process of collating the views of our member companies and conducting a thorough analysis of the potential implications of the proposed Public CbCR regulations.

From initial discussions, we believe that the proposed Public CbCR regulations require further consideration to ensure that they are effectively implemented and will not have unintended consequences for the insurance and long-term savings industry. We request that the Australian Taxation Office considers these concerns and provides additional time for the industry to prepare for compliance.

We will be providing a more detailed response to the consultation in due course however in the meantime our members have highlighted the following preliminary concerns where they believe further clarification or reconsideration may be warranted.

2. Preliminary Concerns

2.1. **Consistency with international standards**: As a global industry, it is essential that any Public CbCR requirements are consistent with international standards and practices. We would like to understand how the proposed regulations align with existing frameworks, such as the GRI CByC reporting standard and the OECD's recommendations on Base Erosion and Profit Shifting (BEPS).

2.2. **Data availability**: At this stage, there is limited readily available data that would facilitate compliance with the proposed Public CbCR requirements. Furthermore, it is unlikely that this data will become available in the near future due to the significant lead times required for system changes and the need to adapt reporting processes within the insurance industry. As noted above the proposals go above and beyond that required by other public reporting standards including from the EU and the International GRI standards. This fragmentation of rules requires additional compliance burden and in our view it is particularly unhelpful to have different rules in different countries where the policy objective could be satisfied by alignment with existing standards.

2.3. Extra-territoriality of reporting: The extra-territoriality of the reporting requirements will place challenges on groups and may lead them to reconsider if the administration burden justifies the economic benefits of keeping a taxable presence in Australia.

2.4. Reporting of IFRS 17 amounts: The insurance and long term savings industry faces particular challenges in relation to International Financial Reporting Standard (IFRS) 17. This new accounting standard fundamentally changes the reporting requirements for insurers, including both calculation and presentation/disclosure requirements. This impacts the industry in a number of ways.

- It provides uncertainty as to what the metrics reported will be until there is track record of actual reporting, raising challenges for both the calculation of robust amounts and the articulation of what the results mean.
- Systems and processes are still developing. Overlaying additional CbyC reporting at this point will be challenging in view of the current demands on finance teams.
- There is considerable resource strain, particularly at the moment in insurance finance and tax teams due to the implementation of IFRS 17. Overlaying an additional reporting requirement at this juncture will be challenging.

2.5. Intangibles: The proposed Public CbCR regulations provide particular challenges to insurers regarding intangible assets. There will be considerable uncertainty surrounding the valuation and reporting of these assets, due to the long-term nature of insurance policies and the interaction between the accounting treatment of related on and off-balance sheet value between classification as an intangible asset or as a type of or adjustment to insurance reserves. Clarity will be required to alleviate concerns over groups reporting public metrics with different underlying bases. Of particular concern will be the requirement to calculate or disclose internally generated, off-balance sheet intangible assets. This would be a very significant, difficult, time-consuming, expensive and ultimately judgmental exercise.

2.6. Confidentiality and competitiveness: While we understand the desire for increased transparency in tax reporting, we have concerns about the potential impact of public disclosure of sensitive financial information on the competitiveness of our member companies. We believe that striking a balance between transparency and preserving the confidentiality of sensitive data is crucial for maintaining a level playing field in the global insurance market.

2.7. Compliance burden and costs: As noted above, we are concerned about the potential increase in compliance burden and costs that may arise from the proposed Public CbCR regulations. This could disproportionately affect smaller insurers and long-term savings providers, potentially leading to reduced competition and higher costs for consumers.

Thank you for considering our concerns, and we look forward to engaging further on this important issue.