ICC submission to Australian public consultation document: Public country-by-country reporting

The International Chamber of Commerce (ICC) welcomes the opportunity to provide input on the Australian public country-by-country reporting exposure draft. ICC, as the world business organization speaking with authority on behalf of enterprises from all sectors in every part of the world, advocates for a consistent global tax system, founded on the premise that stability, certainty and consistency in global tax principles are essential for business and will foster cross-border trade and investment. ICC is also an established arbitral institution through its International Court of Arbitration and provides other dispute resolution mechanisms through its International Centre for Alternative Dispute Resolution.

ICC recognises and supports the importance of transparency measures such as County-by-Country reporting (CbCR) in line with the international guidelines set out in the Action Item 13 of the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion Profit Shifting (BEPS) project. ICC members acknowledge that the disclosure of company data to competent tax authorities, as set out in BEPS Action Item 13, is an important instrument to help tax authorities improve their ability to fulfil their task in assessing the tax liabilities of their taxpayers – with the explicit provision that this information remains confidential. Nonetheless, the proposed bill significantly expands tax transparency requirements for large companies operating in Australia, going beyond what is required in both OECD Action Item 13 as well as in the European CbCR. Moreover, the proposed bill raises important questions in relation to the implementation of the OECD Pillar Two rules, fails to recognize the importance of materiality and imposes a disproportionate compliance burden on business.

To be useful to stakeholders, tax transparency must be meaningful. If there is a genuine desire to improve tax transparency and better inform the public debate, we recommend ensuring consistency with international tax transparency standards rather than instituting unique unilateral approaches. We believe Australia should support international consistency on MNE taxation by adopting an approach consistent with the BEPS Action 13 approach to transparency. The EU standards for CBCR also provide a suitable balanced framework from which to adopt a similar approach to further tax transparency in Australia, including for implementation timelines. These have been through rigorous consultation, and thoughtful and prudent political consensus, mindful of the confidentiality around existing confidential CbC disclosures and the need to preserve businesses legitimate interests. As such, they can deliver on the original policy intent to publish tax paid and employment data by jurisdiction, while minimising competitiveness issues and compliance costs for companies. Unilateral approaches departing from international agreements can weaken existing international coordinated initiatives, leading to unintended extra-territorial consequences deterring other countries from further coordinated engagement and increasing fragmentation (being noted that the EU standard has addressed these possible concerns and contains a number of features to mitigate them). More importantly, they can impact on the competitiveness of single jurisdictions moving along with unilateral solutions.

To this end, ICC respectfully encourages the Australian government to align its proposed requirements with other international standards (including the European one) to ensure consistency, reduced administrative burdens and to ensure a better-informed public. ICC welcomes the opportunity to provide input with respect to the proposed bill and we remain available to further engagement and clarifications on the points outlines in this submission.

Scope of information to be published

The Exposure Draft (ED) requires three types of information to be reported that are in addition to the requirements contained in GRI 207-4 and the OECD standard: 1) effective tax rates; 2) expenses from related party transactions and 3) a list (including book values) of intangible assets. **These additional disclosures go beyond the OECD standard and reporting requirements of other jurisdictions, which has already been agreed and considered by other jurisdictions as enabling tax authorities to properly and confidentially assess businesses' tax situations. Similarly, the information requested goes far beyond what is required under the EU CbCR Directive.**[1] The underlying reasons to broaden the scope are unclear and the lack of consistency with the EU rules increases confusion amongst stakeholders and the compliance burden for taxpayers. Existing global CbCR data gathering systems and processes have been developed by MNEs at substantial cost based on those compliance measures and do not capture the additional information required by the ED. **Accordingly, there would be significant cost involved to create bespoke arrangements to comply with Australia's additional reporting requirements that do not align with the requirements of other jurisdictions.**

Section (6) (g) also requires publication of a list of tangible and intangible assets by jurisdiction including value. On the face of it, this would require each asset (building, vehicle, laptop etc) and each IP registration (patent, trademark etc.) to be itemised separately. Hence, the proposal to list tangible and intangible assets could result in potentially millions of assets being reported. This proposal gives little thought to notions of compliance costs, practicality, materiality, commercial confidentiality or critical infrastructure assets and related security concerns. Large MNE's could have billions of dollars in tangible and intangible assets on their books which are comprised of millions, tens of millions or hundreds of millions of unique individual assets. In this regard, we again strongly encourage Australia to only require publication of the global sum of tangible assets by jurisdiction which is consistent with the CbC report filed to tax authorities under the BEPS Action 13 standard. This data point was originally included in the reporting to help tax authorities make a high-level initial assessment of how much substance an MNE had within a jurisdiction.

Additionally, some of the terms used (section 3D (6)) are not defined. **It is important to identify which definition and guidance material is to be adopted in interpreting information requirements. Adopting the OECD standard would provide consistency with existing CbCR data collection and reporting processes** (being noted that the public CbCR EU Directive allows alignment with the data reported under the Action 13 OECD standard).

[1] See Directive (EU) 2021/2101 of the EU Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches.

Moreover, there should at least be clarification that assets can be grouped together using categories typically found in financial statements. **The explanatory comments should clarify that the assets do not need to be listed separately, which would be extremely burdensome.**

In the ED it is also assumed that the disclosure of tangible assets will follow the "Guidance for Disclosure" contained in GRI 207-4-b-vii, meaning that "when reporting tangible assets for a tax jurisdiction, the organization can calculate the consolidated total of the net book values of tangible assets for all its resident entities in the jurisdiction". However, the reporting of intangible assets is not covered by GRI-207, leaving taxpayers without guidance.

At the same time, **we recommend that tangible asset disclosures should be limited to the consolidated net book value for a jurisdiction in line with OECD and GRI 207-4 standards.**

Furthermore, we would like to express our concerns on the elevation of reporting standards to law (i.e., the reference contained in Section 7 c ED to reporting standard GRI 207-1 and GRI 207-4) through the direct reference to these standards in the legal text. This is troubling as it seems to suggest that future disclosure requirements may not be driven by the elected Government of Australia but by a third unelected body not based in Australia, with the consequence that requirements reported over time would be changed and increased over time on a pure discretionary manner.

Disclosure should be meaningful, not misinforming

The Explanatory Memorandum to the ED legislation states: "*The combination of information required to be published is intended to provide the public with a comprehensive picture of the CbC reporting groups' tax affairs, while minimizing the compliance and administrative burden imposed on the CbC reporting parent.*"

We strongly believe the proposed reporting will not better inform the public of the tax affairs of large companies as stated by the Treasury. Instead, it will create confusion and result in misinterpretation and poor decisions by the general public and ordinary investors who usually do not have extensive and in-depth knowledge about accounting/financial data. Introducing more data should not be assumed as always better. The amount of data does not determine the effectiveness of the insight you can gain from it and data in a CbCR cannot provide any conclusive evidence about the tax situation of a taxpayer, *per se*. Thus, because public CBCR may result in misleading interpretations by the general public and stakeholders, we respectfully recommend that items disclosed should remain targeted in order to limit such risks, while still allowing public scrutiny.

The public reporting requirements under the Australian proposal require different data points and methodologies as compared to both the Action 13 OECD standard and the EU public CbCR. We have provided an illustrative example below in regards to how one Australian company will be required to present data for their subsidiaries in Germany according to Australia standards as compared to OECD Action 13 standard and EU CbCR standards. Appendix A provides additional details.

	CBC	EU CBC	AU PCBC	Publicly Available Financial Statements (on a standalone basis)
	Unrelated Party Revenues (external)			
Germany	520	520	520	500
	Related Party Revenues (intercompany)			
Germany	200	200	0	200
	Total revenues (related and unrelated)			
Germany	720	720	520	700
	Related Party Expenses			
Germany				200
Notes: Entity 1 - 500 of external revenues; 10 of unrealized fx gain Entity 2 - provides support services to Entity 1; recharges 200 to Entity 1; 10 of interest income				

This example shows that, even in the simplest of circumstances, whether the data is analyzed on its own or collectively, it is extremely complex to understand a company's tax affairs. It also demonstrates that companies will be required to report different data points for the same jurisdiction due to differences in methodologies and standards created by Australia as compared to existing international tax transparency standards. The proposed rules take the information included in the private CbC report and modify it in many ways that can create additional confusion. The related party rules for Australia CbC require taxpayers to backout intergroup transactions within the same jurisdiction and require the additional reporting of related party expenses. Intercompany information will be a source of confusion for the general public and should be removed from the report. **The public will not be able assess the relevance, applicability, or application of intercompany transactions. This data is only applicable to those knowledgeable of the facts of the transactions which the public will not have leading to users making incorrect conclusions. This calls for alignment with the EU standards.**

Lack of safeguards for commercially sensitive data

Of utmost concern, such **requirements proposed by the Treasury will lead to disclosure of competitively sensitive information**. While we understand the increasing public scrutiny and demand for more corporate transparency, we believe that tax laws imposing public disclosure requirements should support a level playing field, the protection of legitimate interests and fair competition among businesses in the interests of consumers, investors and other interested stakeholders. The BEPS Action 13 Standard recognises that companies must provide confidential and commercially-sensitive information to tax authorities under strict confidentiality requirements and for appropriate use. Public CbCR raises concerns about the public release of confidential or sensitive commercial information, especially where some major competitors may be exempt from such disclosure requirements (see in Appendix B for an illustration of this).

The EU public CbCR Directive also acknowledges "*the information should be limited to what is necessary to make effective public scrutiny possible, in order to ensure that disclosure does not give rise to disproportionate risks or disadvantages for undertakings in terms of competitiveness or of misinterpretations regarding the undertakings concerned*".[2]

Under the Australian proposal, companies will be required to provide significant additional information publicly, increasing the risk that commercially sensitive information is disclosed. Unlike the EU Directive, there does not appear to be any safeguards to protect against disclosure of commercially sensitive data regarding a business' operations. While there is reference to allowing exemptions, there is no clarity on what might qualify for an exemption, and it appears to be at the discretion of the Commissioner.

By imposing a very wide disclosure measure without any safeguard clause, the Australian proposal could potentially have extra-territorial effect and may be viewed as not compliant with the legal framework of other countries.[3] We note that public CbCR had not been agreed at OECD level and that the EU directive requires separate disclosure of each EU member state together with those jurisdictions deemed to be non-cooperative tax jurisdictions, and with the rest of the world data being aggregated. Such a broad public CbCR requirement may also be viewed by certain countries as a breach of the local filing conditions under the Action 13 OECD standard. More in particular, the EU public CbCR Directive contains a safeguard clause and allows for the reporting of aggregated data for non-EU countries which in our view could effectively help to mitigate the above-mentioned risks. It also recognizes that some information may not be available at the level of EU subsidiaries/branches which are controlled by non-EU ultimate parent entities, and therefore may not be published.[4]

In line with the EU directive, we would encourage the Australian government to require that the information to be disclosed should be limited to Australian operations with the rest of the world aggregated and to adopt similar safeguards as the one introduced at EU level.

The publication of CbCR data on an Australian Governmental database is also concerning for our members as such a database will be centralizing a huge amount of strategic and commercially-sensitive information of many taxpayers (i.e. the financial data as such but also many other information e.g. the list of all intangible and tangible assets). This approach raises risks in terms of cyber security, protection of sensitive data, and the possibility to correct the information provided. Against this background, we would like to emphasise the central and priority role of tax certainty. Because misleading interpretations of the data published in a public CbCR may result in severe damage (notably reputational damage), it is necessary to make it clear that the data from a public CbCR cannot provide definitive answers on the tax situation of a taxpayer.

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[2] Recital number 13 of the Directive (EU) 2021/2101 of the EU Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches.

[3] There is notably a question as to whether a broad public CbC Reporting would be compatible with certain constitutional frameworks. It is noteworthy to recall the decision of the French Constitutional Court, the *Conseil Constitutionnel,* dated 8 December 2016 which found a draft legal provision which aimed at introducing a public CbCR in France as being unconstitutional on the ground of freedom to conduct a business (which is part of the EU Charter of Fundamental Rights).

[4] In such case, the EU directive envisions a "best efforts" requirement and provides that the responsibility of the EU subsidiary/branch should consist of publishing a statement indicating that the ultimate parent entity did not make the necessary information available.

The requirements proposed by the Australian Treasury also risk to put companies operating in Australia at a significant competitive disadvantage relative to their MNE competitors who do not have operations in Australia. As a result of the requirement to publish jurisdiction by jurisdiction, this distortion could occur in any market in the world (not just Australia) in which one business is required to publish as a result of Australian legislation and a competitor is not.
Furthermore, as pointed out by some of our members, these requirements entail the potential risk of creating a direct and significant disincentive for growing businesses to commence operations in Australia.

For all these reasons, **we believe Australia should adopt a safe harbour allowing MNEs to defer publication of confidential and commercially sensitive information for five years. This will also be in line with the EU Directive.**

Excessive compliance burden

Despite our longstanding support for transparency initiatives, **we would welcome a coordinated approach between jurisdictions on such global tax policy matters**. The Australian government would be introducing another unique reporting standard with new data points, methodologies, and forms on top of several existing reporting measures. Much of the information required is not something that many companies ordinarily prepare or retain today. For example, the requirement to prepare a tax rate reconciliation on a jurisdictional basis (section (6) (i)). This will require jurisdictional consolidations and tax rate reconciliations to be prepared. For a large group, collecting this data and preparing these reconciliations for every jurisdiction in which they operate will impose significant and disproportionate, administrative and resource challenges. Such disclosure also increases the compliance burden at a time when large companies are already facing the complex Implementation of Pillar Two and work is on-going with respect to Pillar One. The proposed public CbCR will additionally largely duplicate the reporting obligations of MNEs subjected to the EU public CbCR Directive. To avoid duplications, **for these groups, there should be no further disclosure requested, since the EU disclosure also covers blacklist and to some extent grey list countries.**
Thus, as they stand, **the proposed changes will increase costs for companies doing business in Australia as they impose significant administrative burdens.** This puts companies operating in Australia at a competitive disadvantage. Some of our members have estimated the Australian proposal will require an additional 20 to 60 new headcounts depending on the size of the business and other factors.

In order to recognize the transparency efforts of other jurisdictions and to take into account other international standards, we call for the Australian rules to provide for an exemption from the proposed public CbCR for multinational groups that are subject to public CbCR obligations in the jurisdiction of their parent entity. In any case, the proposed rules should include a safeguard exempting publication of data that is otherwise publicly available e.g., through an EU public CbCR or through a public stock exchange filing.
Finally, there should be at least a materiality threshold in relation to any of the data required to be published.

Need for flexibility in the disclosure format

We also recommend that there is scope for flexibility in how businesses provide the disclosures. The proposal calls for a standardized template and centrally hosted database that all businesses must use. A standardized form will not better inform stakeholders. As discussed above, the information required to be reported is extremely complex. Some companies have over 1,000 entities within their group and over tens of thousands of assets to be listed.

CbC information provides a snapshot of a company's activities in each country where it operates, but it does not capture the full context of local economic conditions. For instance, a user or investor might see that a company has lower profits in one country compared to another and assume that the company's operations in the less profitable country are underperforming. **This conclusion might lead the user or investor to advocate for the company to pull out of that market or reduce its investment there, believing that this would improve the company's overall financial performance.** However, this decision could be misguided if the user or investor is not aware of factors like currency fluctuations, differences in market maturity, or recent investments in infrastructure that could explain the discrepancies in profit. These exogenous factors and their complex interaction cannot be fully captured through companies data to be disclosed

Given the nuances and explanatory notes that will be required alongside the data, **businesses should be allowed to present the required information in their own format and on their own websites**. This will allow the entity to provide a narrative for the disclosure which adherent to the context of the market conditions at the time, and provide further guidance in interpreting the information if needed. Taxpayers should also have the possibility to provide explanations in a "comment" section (qualitative and not quantitative) e.g., in case the calculation of the effective tax rate under Pillar 2 cannot be reasonably estimated at such an early stage.

The EU allows companies to host the data on their own website allowing them to provide the necessary context to the information being disclosed. Many of our company members already publish annual reports or tax transparency reports with much of the data already required. These reports provide stakeholders genuinely interested in the tax affairs of companies to access this information. It also provides companies with an opportunity to explain and contextualize their tax affairs in order to maximize the utility of the information for users while at the same time minimize compliance costs.

Additionally, **we would also kindly recommend the removal of the requirement under which errors after publication must be corrected and would welcome further clarity on possible penalties**. Our members believe that if any, these should be strictly financial with a low overall cap. Furthermore, consideration should be given to **having an initial transitional period** during which penalties will not be levied on companies making a genuine effort to fully comply with the rules.

Interaction with Pillar Two

Many jurisdictions are currently implementing Pillar Two, the global minimum tax agreed by the OECD Inclusive Framework. Under Pillar Two, in scope companies (i.e, those subject to CbCR) will pay an effective minimum tax rate of 15% on a jurisdiction-by-jurisdiction basis. The request of information concerning Pillar Two in the context of CbCR before Pillar Two's effective implementation and the preparation and filing of the Pillar Two Globe Information Return (GIR) entails the risk of generating misinterpretations and uncertainties on top of unreasonably duplicating compliance efforts.

Thus, **the interaction of these Australian CbCR proposals with the OECD Pillar Two proposal raises serious concerns from a business perspective.**

Effective Tax Rate – calculation and scope

According to the text of the ED, Section 6 (k) requires publication of the ETR. However, it is unclear on what basis the ETR should be calculated and under what GAAP (e.g., CbCR basis, Pillar Two basis, statutory accounts basis, local GAAP, parent company GAAP, etc.). If the ETR to be published is computed under Pillar Two principles, it should be noted that the proposed commencement date requires publication earlier than the GLOBE return is required to be prepared and filed.

Moreover, from the text of the ED, it appears that companies would be required to disclose their Pillar Two Effective Tax Rate for the 2023/24 income year within 12 months, which could represent an acceleration when compared against the proposed OECD GloBE filing deadlines in which Australia has agreed to. In this regard, it appears that the ETR disclosure would not consider the impact of any top-up taxes paid in accordance with Pillar Two and it is unclear how these proposals will interact with the OECD Pillar Two safe harbours (i.e., would ETRs calculated in accordance with the Pillar Two safe harbours comply with the Australian CbCR requirements).

From the ED, it also seems that the ETR disclosure does not consider the impact of any top-up taxes or qualified domestic minimum taxes (QDMTT) paid in accordance with Pillar Two. **We believe that the QDMTT that is expected to be paid in the country of the parent company should be included in the ETR, as well as the top-up tax that could be paid in the country of the parent company.**

At the moment, there is also **no clarity on whether the Transitional Safe Harbour Methodology** in relation to Pillar Two can be used. In other words, whether a simplified ETR (transitory safe harbour) based on the CbCR information of countries can be used.

The publication of the ETR may in fact discard the simplification solutions that are being developed at the OCDE (e.g., de minimis rules, CbCR Safe Harbour), the purpose of which are to not overburden companies with a complex calculation when there is no top-up tax at stake. However, if companies were required to compute a complex Pillar Two calculation in order to report ETRs for the Australian public CbCR, this means that the Pillar Two simplification solutions will not be applicable in practice. Furthermore, the Pillar Two Model Rules require entities to make several adjustments that could lead to material differences between Pillar Two ETRs and actual tax liability.

The **ED does also not include certain important features**, including:

a) the substance-based income exclusion (SBIE), which reduces an entity's exposure to top-up tax even when the Pillar Two ETR is below 15%;
b) the exclusion from scope of the rules of de minimis jurisdictions and certain types of entities;
c) the effects of applying transition safe harbours in transition periods.

We therefore respectfully disagree with the requirement that an entity discloses ETR information only to then explain why that information might not be representative of its tax liability under Pillar Two. In addition, some entities may not be able to provide such comprehensive information and in a reliable format, given that:

a) not all administrative guidance (both at the OECD and implementing country levels) is available yet, and
b) (some of) the data required to compute top ups does not currently exist within accounting systems (or is not easily accessible in the right format to the degree of accuracy required).

For all the reasons above, we recommend removing the requirement to report an effective tax rate, particularly based on Pillar Two.

Disproportionate compliance burdens

While the Inclusive Framework, including Australia, agreed to the recent Administrative Guidance and Safe Harbours to alleviate the burden on entities and the number of data points required, the ED proposal seems to move in exactly the opposite direction and would require entities to set up new systems, establish additional processes for collecting and preparing the required information at a jurisdictional level, and then apply assurance procedures (e.g have the information audited).

The OECD pillar two implementation is a data heavy exercise for MNEs and temporary safe harbors has the potentially secured - among other things - additional time for most MNEs to complete the Data exercise for full reporting. In addition to the unclarity relating to the calculation, **it would be worrying if the Australian Government would now require MNEs to publish complete ETR calculations per country – before the filling deadline for compliance (at least in most countries) - build from data sets based on the immature set of rules which pillar two still currently is. Interpretation issues are already arising on how to apply the rules – even before implemented.**

Accordingly, it appears that the preparation of the **information required by the ED would be costly and result in an additional administrative burden.** It is important to consider this not in isolation, but within the context of the fact that:

a) Entities will already be under significant strain from complying with Pillar Two legislation; the proposals would add to that strain.
b) The Pillar Two Model Rules allow a longer time for an entity to prepare Pillar Two information and provide some safe harbours that alleviate the burden on entities during a transition period.[5] The proposals would run counter to that.[6]

Hence, if it is concluded the ETR needs to be published, **we would kindly suggest the publication of the ETR to be postponed until at least FY 2027 when most MNEs have had a chance to file a GLOBE return before having to disclose any information in public based on Pillar two definitions.**

It is also proposed that a tax rate reconciliation is prepared for each jurisdiction in which the business operates (section (6) (i)). Under the light of the Pillar Two proposal, it is not clear what additional value is obtained by requiring reconciliations between jurisdictions statutory and actual tax rates when the jurisdictional effective rate will be at least the globally agreed 15%. **Thus, we recommend limiting the rate reconciliation requirement to Australian activities only.**

[5] The Pillar Two model rules require entities to file information returns no later than 15 months after the end of the fiscal years (18 months in the transition year).
[6] Although the proposed ED does not require undertaking further assessments based on the requirements of the Pillar Two legislation, entities would nonetheless be compelled to do so to provide clarifying explanations about the information provided.

Interaction with the IASB deliberations

The proposals seem to be in direct opposition to the deliberations at the level of the International Accounting Standards Board (IASB).

This discussion is also fueled by the complexity of Pillar Two, which requires a closer examination of whether and how deferred tax should be recognised and measured. Therefore, stakeholders recently welcomed the proposed amendments by the IASB that aim to provide temporary relief from accounting for deferred taxes as a result of the OECD Pillar Two model rules being implemented soon and a temporary exemption from accounting for deferred taxes. These discussions are at the very heart of the Pillar Two ETR calculation. Thus, we strongly discourage Australia's go-it-alone strategy on Pillar Two ETR's and the timing currently proposed in the Exposure Draft. **Instead, we recommend a more balanced, revised approach where Australia would follow the Pillar Two disclosures required under IASB's standards.**

It means that, once Pillar Two legislation is substantively enacted, entities will disclose information that assists users in determining the entity's tax liabilities under Pillar Two, both qualitatively and quantitatively, to the extent that such information is known or reasonably estimated.

Taxpayers should also have the possibility to provide explanations in a "comment" section (qualitative and not quantitative) in case the calculation of the effective tax rate under Pillar Two cannot be reasonably estimated at such an early stage (consistent with IASB position)

Implementation deadline

We recommend the alignment of the Australian tax transparency proposal with international standards in order to provide sufficient lead time. As noted above, much of the required information is not available today. This proposal will increase costs, which includes hiring new staff to prepare the data and reports. As a result, companies need time to define requirements, amend systems and test outputs before being able to furnish this data.

The proposed timeline for implementation is not realistic and should apply to no earlier than the first period that the CbC Reporting Parent uses for preparing its audited consolidated financial statements that starts on or after 1 July 2024 This will allow taxpayers to prepare accordingly. Moreover, the obligation to disclose the effective tax rates on a country-by-country basis following the BEPS Pillar Two rules seems premature as Pillar Two is not yet implemented globally and the computation of an effective tax rate under Pillar Two is very complex. Thus, it will be very difficult to achieve by 2024 in all jurisdictions. As such, since Pillar Two rules would produce calculations relevant to some disclosures in the proposed public CbCR legislation, **we would recommend deferring the application date until after commencement of the Australia's Pillar Two legislation to allow entities time to appropriately embed that regime and prepare adequate data capture systems and processes.**

Appendix A:

	CBC	EU CBC	AU PCBC	Publicly Available Financial Statements (on a standalone basis)
	Unrelated Party Revenues (external)			
Entity 1	510	510	510	500
Entity 2	10	10	10	
Germany Total (published)	**520**	**520**	**520**	**500**
	Related Party Revenues (intercompany)			
Entity 1	0	0	0	0
Entity 2	200	200	0	200
Germany Total (published)	**200**	**200**	**0**	**200**
	Total revenues (related and unrelated)			
Germany Total (published)	**720**	**720**	**520**	**700**
	Related Party Expenses			
Entity 1	N/A	N/A	0	200
Entity 2	N/A	N/A	0	0
Germany Total				200
Notes: Entity 1 - 500 of external revenues; 10 of unrealized fx gain Entity 2 - provides support services to Entity 1. Recharges 200 to Entity 1; 10 of interest income				

Appendix B

A company subject to public CbCR may be in direct commercial competition with a competitor company which not subject to such requirement. The latter may be able to calculate the following ratios relating to the first company based on its published data and to compare them with its own ones. Among many:

- profit margin (profit before tax / total revenues)
- effective tax rate (income tax accrued / profit before tax)
- revenue per unit of economic activity (total revenues / number of employees)
- profits per unit of economic activity (total profit before tax / number of employees).

These ratios, as well as the other data in the public CbCR will provide a myriad of information, such as:

- the commercial strategy of the company subject to public CbCR (eg. number of employees over the years which gives a clear indication of the sales force in relation to the turnover)
- whether the company is in a mature market (indicators could be: level of PBT; revenue per unit of economic activity; profits per unit of economic activity)
- the willingness to access a given market (indicators could be: number of employees)
- the company's profitability (Indicators could be: PBT and profits per unit of economic activity)
- its fiscal pressure (ETR)
- its market penetration and market share