17 July 2023

Comment on Australian Taxation Office Directive – public CbCR proposals

1. Summary

1.1. In light of recent developments on the Public Country-by-Country Reporting (CbCR) proposal, GFIA appreciates the opportunity to provide feedback to the Australian Tax Office on this important matter.

2. Concerns

2.1. **Consistency with international standards**: For the insurance industry, which is a global one, it is essential that any public CbCR requirements are consistent with international standards and practices. The proposed regulations diverge from the OECD CbCR requirements and go far beyond what is commonly expected. For example, disaggregated reporting or disclosure of information on expenses from related party transactions, the net book value of intangibles and the effective tax rate is not required under the OECD's CbCR. It is also not required by the EU's public CbCR, which is largely aligned with the OECD requirements. GFIA therefore requests that information requirements be aligned with EU public CbCR. Alternatively, a multinational enterprise (MNE) group that is subject to the EU public CbCR and whose ultimate parent entity (UPE) is resident in the EU should be exempt from the Australian public CbCR.

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 those required by other public reporting standards, including those of the EU and the international Global Reporting Initiative (GRI) standards. This fragmentation of rules creates an additional compliance burden and it is particularly unhelpful to have different rules in different countries when the policy objectives could be achieved 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 consider whether 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.

Global Federation of Insurance Associations (GFIA)
Secretariat: rue du Champ de Mars 23, 1050 Brussels, Belgium
Tel: +32 2 894 30 81 E-mail: secretariat@GFIAinsurance.org
www.GFIAinsurance.org

- It creates 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. Adding further CbCR at this point will be challenging in view of the current demands on finance teams.
- There is a considerable strain on resources, particularly at the moment in insurance finance and tax teams due to the implementation of IFRS 17. Adding an extra reporting requirement at this juncture will be challenging.

2.5. **Confidentiality and competitiveness**: While the desire for increased transparency in tax reporting is understandable, there is concern about the potential impact of public disclosure of sensitive financial information on the competitiveness of the companies that fall within the scope, particularly when compared to companies that are not subject to these requirements. GFIA believes 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, there are concerns about the potential increase in compliance burdens 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. We look forward to engaging further on this important issue.

Contacts

Suzy Zozor, Chair, Taxation Working Group (s.zozor@franceassureurs.fr)

GFIA secretariat (secretariat@gfiainsurance.org)

About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 40 member associations and 1 observer association the interests of insurers and reinsurers in 67 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than US$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.