



HM Treasury

Capital Requirements Directive 4:

consultation on country-by-country
reporting



HM Treasury

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consultation on country-by-country reporting

September 2013

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Preface

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| Subject of this consultation: | <p>The Capital Requirements Directive 4 (CRD4) requires institutions to disclose: their name, the nature of their activities and geographic location, number of employees, and their turnover on a country-by-country basis on 1 July 2014. Global systemically important institutions will also be required to disclose to the European Commission their pre-tax profit or loss, their taxes paid and any public subsidies received. Subject to the Commission's impact assessment, all firms will be required to disclose the latter items from 2015 onwards.</p> |
| Scope of this consultation: | <p>Since the country-by-country reporting (CBCR) requirements are provided by an EU Directive, the UK must transpose them into national law. This consultation seeks to gather the opinions of stakeholders and other interested parties concerning the details of that transposition, with particular focus on some specific issues.</p> |
| Who should read this: | <p>Institutions subject to the provisions and associated bodies, including accounting firms who will audit and manage the disclosures as well as those interested in tax reporting.</p> |
| Duration: | <p>The consultation will run from 20 September 2013 to 18 October 2013.</p> |
| Lead official: | <p>Ali Uppal, HM Treasury.</p> |
| How to respond or enquire about this consultation: | <p>Please send responses to:</p> <p>CBCR consultation Financial Services Group Floor 1, Red HM Treasury 1 Horse Guards Road London, SW1A 2HQ Email: CBCRconsultation@hmtreasury.gsi.gov.uk</p> |
| After the consultation: | <p>The Government will use the responses to the consultation to inform the drafting of the legislation and accompanying guidance. We intend to consult for one week on the draft legislation and guidance beginning in early/mid November.</p> <p>The consultation on the draft legislation and guidance will also be published on the HM Treasury website, alongside the response document which will contain a summary of the responses received by the Government during the consultation.</p> <p>We appreciate that stakeholders may have expected a longer consultation period. However, given that the legislation is intended to apply from 1 January 2014, we consider that the duration of our consultation is appropriate.</p> |

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1

Introduction

Background

1.1 The European Commission adopted its proposals for the Capital Requirements Directive 4 (CRD4) and the Capital Requirements Regulation (CRR) on 20 July 2011. These proposals primarily aimed to implement the Basel 3 agreement on prudential standards in the EU, but also introduced measures to enhance corporate governance and, in some areas improve the consistency of prudential standards across the EU through the creation of a Single Rule Book.

1.2 CRD4/CRR applies to credit institutions and investment firms (referred to in this consultation as “institutions”). The European Council agreed CRD4/CRR by qualified majority on 20 June 2013 and the legislation was published in the Official Journal on 27 June 2013¹. The UK voted against CRD4/CRR due to concerns over its consistency with the Basel 3 rules and certain remuneration provisions. The legislation is intended to apply from 1 January 2014.

1.3 During CRD4/CRR negotiations, the European Parliament proposed to introduce certain country-by-country reporting (CBCR) requirements into the legislation, an amended version of which are contained in Article 89. The provisions require each institution to disclose annually: their name, nature of activities and geographic location; number of employees; and their turnover, on a consolidated basis, by country where they have an establishment. This information must first be published on 1 July 2014.

1.4 Global systemically important institutions (G-SIs) are additionally required to disclose to the European Commission on a confidential basis by 1 July 2014 their pre-tax profit or loss, their taxes paid and any public subsidies received. Following this, the Commission will conduct an assessment of the potential negative economic consequences of the public disclosure of such information, and report to the European Council and Parliament by 31 December 2014. Subject to that assessment, all institutions will be required to disclose annually this additional information from 1 January 2015.

1.5 Alongside the implementation of the CBCR provisions in CRD4, it is important to recognise that there is a great deal of work already underway to improve transparency, including on company ownership and through tax information exchange between governments. The Prime Minister’s Trade, Tax and Transparency agenda (the “3Ts” agenda) put transparency at the heart of this year’s UK Presidency of the G8, and wider international support was secured at the G20’s St. Petersburg Summit. The Government is committed to greater transparency whilst ensuring that the requirements on business are proportionate and do not have distortive effects. The UK used its G8 presidency to secure the agreement of G8 countries to call on the OECD to develop a common template for multinationals to report to tax authorities where they make their profits and pay taxes around the world. This proposal will give tax authorities a new tool to help them efficiently identify and assess risks. It will be developed by the OECD as part of its work on Base Erosion and Profit Shifting over the next two years and will apply to a wider range of businesses across a broader range of countries.

¹ CRD4 is available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:EN:PDF>
CRR is available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0001:0337:EN:PDF>

Aim of the consultation

1.6 This document sets out the Government's initial approach for implementing the CBCR rules in CRD4. The consultation aims to gather views from stakeholders to ensure that the final approach taken will result in domestic legislation that meets the aims of the EU provision in a proportionate way, and is compatible with the Government's obligations to properly transpose the Directive.

Policy aim

1.7 Recital 52 of CRD4 sets out the purpose of the CBCR provisions: "increased transparency regarding the activities of institutions, and in particular regarding profits made, taxes paid and subsidies received, is essential for regaining the trust of citizens of the Union in the financial sector. Mandatory reporting in that area can therefore be seen as an important element of the corporate responsibility of institutions towards stakeholders and society."

1.8 In implementing the CBCR provisions in CRD4 the Government is committed to taking the approach which is most proportionate and, where possible, we will attempt to ensure that it is consistent with the approach adopted by other countries and other tax transparency initiatives.

Structure of the document

1.9 The background above outlines the CBCR provisions. The remainder of the document is set out as follows:

- Chapter 2 explains which institutions will be considered in scope of the provisions;
- Chapter 3 considers different possible approaches for consolidation;
- Chapter 4 explains the Government's interpretation of the term "establishment";
- Chapter 5 looks at issues around reporting such as auditing requirements;
- Chapter 6 sets out the Government's interpretation of each of the key items that institutions are required to disclose;
- Chapter 7 summarises the impact assessment;
- Chapter 8 sets out a summary of the consultation questions;
- Chapter 9 sets out the consultation process; and
- Annex A includes a copy of Article 89 of CRD4.

Stage of consultation

1.10 This consultation combines stages 1 and 2 of the consultation process outlined in chapter 9. The consultation seeks views both on the policy design and framework for implementation. The responses to the consultation will inform the legislation which is intended to apply from 1 January 2014.

Implementation

1.11 The Government intends to use the powers conferred by section 2(2) of the European Communities Act 1972 to make this legislation.

2

Institutions in scope

Introduction

2.1 One of the key policy questions to be addressed is which institutions must comply with the CBCR requirement.

Definition of institution

2.2 Paragraph 1 of Article 89 of CRD4 states that the disclosure requirement applies “to each institution”. The term “institution” is defined by Article 4 of the CRR as a “credit institution” or “investment firm”, and each of these terms is further defined in Article 4.1(1) and (2). These are the types of businesses to whom the obligations of CRD4/CRR generally apply, and the terms apply regardless of the legal form of the institution i.e. whether it is established as a company, partnership or some other form. However, the terms do not include companies which are only holding companies of such institutions and not themselves “institutions”.

Scope

2.3 CRD4/CRR covers a broad spectrum of firms, ranging from very large multi-national banks to very small investment firms. For example, in the UK 1,709 out of the 1,922 investment firms in scope of CRD4 are considered to be small (i.e. with total assets under £100 million)¹. These small firms fall within the definition of “institutions” for the purposes of CRD4 and are in principle subject to other disclosure requirements in Part 8 of the CRR.

2.4 In line with the objectives of CBCR, it is intended that these provisions apply to all institutions with a presence in the UK, be it an entity headquartered in the UK, or UK subsidiaries or branches of institutions established in a third country, subject to the proviso set out in section 3.2.

Question 1: Do respondents believe that it would be proportionate to apply the CBCR rules to all institutions captured by CRD4? If not, please describe what specific difficulties arise for particular categories of firms, and what approach you believe would be more proportionate whilst complying with Article 89.

Question 2: Do respondents agree that the CBCR requirement should apply equally to UK subsidiaries and to UK branches of institutions which are established in third countries?

Global systemically important institutions

2.5 CRD4/CRR does not contain a specific definition of “global systemically important institutions”, although there are separate provisions in Article 131 of CRD4 which require such institutions (known as “G-SIIs”) to be identified and to maintain an additional capital buffer. In relation to Article 131, G-SIIs are to be identified by a designated authority in accordance with a methodology based on specified criteria. The European Banking Authority is required to develop regulatory technical standards to specify the identification methodology, but their draft technical

¹ PRA Consultation Paper – Strengthening capital standards: implementing CRD IV, August 2013

standards are not required until 30 June 2014. Article 131 (including the requirement to identify G-SIIs) only applies from 2016.

2.6 Given that the technical standards are not required until June 2014, the Government proposes that for the purposes of the CBCR requirement, G-SIIs should be those which have been identified by the Financial Stability Board (FSB) to be “global systemically important banks” (G-SIBs). The most recent list of institutions that are considered to be G-SIBs can be found at http://www.financialstabilityboard.org/publications/r_121031ac.pdf.

3

Consolidation

Introduction

3.1 Article 89 requires disclosure of the relevant information “on a consolidated basis” by country in which it has an establishment.

Consolidation approach

3.2 The Government’s interpretation of Article 89 is that it requires each institution to look at all its subsidiaries and branches throughout the world and disclose the relevant information specifying, by Member State and by third country in which it has an establishment, on a consolidated basis. It is possible that some of those subsidiaries will also be institutions established in other EU Member States which are subject to CRD4/CRR. The Government considers that unnecessary duplication of the same information should be avoided. Therefore, it intends to provide that if the top parent company in the EU is itself publishing the information “on a consolidated basis” for its UK institutions, those institutions should not be required to make their own duplicate disclosures but should explain where the information published by the parent company can be found. However, if the parent company is not disclosing the relevant information, the UK institution will be required to do so.

3.3 The term “consolidated basis” is defined in Article 4 of the CRR. Article 18 of the CRR deals with prudential consolidation and requires a full consolidation of all “institutions and financial institutions that are its subsidiaries”. Furthermore Article 18 sets rules for the consolidation of “participations”. This implies that entities where an institution holds at least 20 percent of the voting rights or capital undertaking, but has less than a majority stake, will be subject to a prudential consolidation.

3.4 From a prudential perspective, the approach taken on consolidation is designed to ensure that the risks posed to the financial institution are adequately addressed. However, the CBCR provisions are not prudential requirements. As such it could be argued that applying an International Financial Reporting Standards (IFRS) accounting consolidation approach (or a UK GAAP consolidation for institutions that prepare their accounts on a UK GAAP basis) would be more suitable. This approach would mean that financial groups would be required to disclose the relevant information only when they have a controlling interest in the subsidiary (regardless of whether those subsidiaries are themselves “institutions” or “financial institutions”).

3.5 This approach would require disclosure to be made at the holding company level based on the IFRS accounting definition of a ‘group’. However, Article 89 places the disclosure obligation on institutions (holding companies are not considered institutions) and would therefore go beyond what Article 89 requires. Although, including holding companies would allow institutions to use their existing systems to disclose on a consolidated basis as well as being more conducive to the aims of the policy. Furthermore, as mentioned above, if the top parent company (e.g. a holding company) in the EU is publishing information “on a consolidated basis” for its UK establishments, those UK establishments would only need to explain where the information published by the parent company can be found and would not be required to make their own duplicate disclosure.

3.6 This approach would also be consistent with the information being disclosed in the consolidated financial statements as these show the parent and subsidiary as one reporting entity.

Question 3: Which approach to consolidation (prudential or IFRS accounting) do respondents believe is more appropriate?

3.7 Where local filing and reporting is on the basis of profits and losses computed using local GAAP, then local reporting figures may not reconcile exactly back to the group figures contained within the IFRS consolidated accounts.

3.8 The Government's proposed approach to address this is to require reporting by the group's top parent based upon the consolidated accounts and any differences required to reconcile the local GAAP figures back to those in the consolidated accounts should be reflected within a 'consolidation adjustments' column within the disclosures.

Question 4: Do respondents believe the above approach for reflecting consolidation adjustments is satisfactory? If not, please describe an approach that you believe would be more suitable.

4

Establishment

4.1 Article 89 (1) requires disclosures to be made by each institution in respect of each country in which it has “an establishment”. The term “establishment” is not defined within either the CRR or CRD4 but the Government’s interpretation is that an institution is required to disclose the relevant information in relation to the country where it is legally established (whether as a company, partnership or other type of legal entity) and all countries in which it has a subsidiary (as defined in Article 4 of the CRR) or branch.

Question 5: Do respondents agree that the appropriate definition of the term “establishment” in this context should be both subsidiary and branch?

5

Reporting

Introduction

5.1 Article 89 will require institutions to make their first public disclosure on 1 July 2014. Institutions will have the discretion to provide additional information or a narrative if they wish to provide more context and help explain unusual situations.

Format

5.2 CRD4 does not provide a template for disclosures and does not allocate responsibility for providing such a template to any particular organisation. One possibility is that the Government could provide a template for disclosure by UK institutions. Another is that institutions could determine their own approach to disclosure.

Question 6: Do respondents think there should be a standard template for disclosures?

5.3 For those UK institutions which are G-SIIs and required to report, in addition, items (d) – (f) of Article 89(1) to the European Commission, the Government proposes that those institutions share with HM Revenue and Customs any disclosures made to the Commission.

Location of disclosure

5.4 Article 89(4) requires that the information shall be published, where possible, as an annex to companies' annual financial statements, or where applicable companies' consolidated financial statements. In some cases we appreciate that it will not be possible to publish the information as an annex to the annual financial statements and in those cases it would be acceptable to publish the information on the institution's website for example, as long as it is easily accessible.

Question 7: Do respondents agree with the above approach? If not, please describe an approach that you believe would be more suitable.

Financial year

5.5 The requirement in Article 89(1) is that from 1 January 2015, institutions must disclose the relevant information annually in respect of the financial year. Paragraph 2 then provides that institutions must disclose three items of information for the first time on 1 July 2014.

5.6 We are aware that given the planning required for these publications as well as the variance in companies' respective year-ends, it may be difficult for some firms to have audited accounts for the year-end immediately preceding 1 July 2014 ready for that publication deadline.

5.7 However, from 2015, institutions are not required to report on any specific date and therefore have the discretion to choose a more appropriate publication date.

5.8 Where subsidiaries of institutions have different year-ends we expect firms to use the established guidance under IFRS.

Question 8: Can respondents identify any serious impediments to institutions reporting the relevant information by 1 July 2014?

Audit requirements

5.9 Article 89(4) requires that the information to be disclosed is audited in accordance with the EU Directive on statutory audit (2006/43/EC), which is the Directive which sets the minimum standards for auditing. The requirement for the information to be audited includes the confidential disclosures made to the European Commission by systemic institutions.

5.10 Materiality is a concept used by auditors in their assessment of the significance of an item or transaction in the context of a set of financial statements. Information is considered material if its omission or misstatement could influence the decision of users taken on the basis of the financial statements. In our view, in order to maintain proportionality, use of accounting materiality applied in the auditing of the financial statements such as that used for IFRS accounting purposes will give an appropriate proxy for the level of materiality to be applied in the auditing of any disclosures given by a particular institution.

Question 9: Do these auditing requirements pose any difficulties?

6

Definitions

Introduction

6.1 The precise scope of the information which has to be disclosed is not defined in the legislation. As such, this section sets out the Government's interpretation of each of the key items that institutions are required to disclose.

Name(s), nature of activities and geographical location

6.2 The Government proposes that the requirement to disclose "*names*" will mean the names of the legal entities included in the consolidated information. Institutions will also have the option to additionally disclose trading names if they believe it is relevant. The nature of activities should be described at the country level. Geographical location will be based on the definitions for Financial Reporting (FINREP) templates which also refer to location of activities. Therefore, geographical location will be defined as the jurisdiction of incorporation of the legal entity and for branches it will be the jurisdiction of residence.

Turnover

6.3 Article 89 does not provide a precise definition of turnover. In particular, it does not explain whether institutions are required to disclose gross or net receipts. The Government's preferred option is to use an approach to total income consistent with the financial statements. Therefore, turnover would consist of total income before impairment and operating expenses, but after net interest, net commissions/fees income, investment and trading income and net insurance premiums.

Question 10: Do respondents agree with the above definition of turnover?

Number of employees on a full time equivalent basis

6.4 The Companies Act 2006 already requires information on employee numbers to be included in a company's annual accounts, and the approach is to include the average number of employees over the financial year. The CBCR rules will require this to be disclosed on a country-by-country basis. Article 89(1) requires the number of employees to be reported on a full-time equivalent basis. The Government does not consider that institutions should be required to report information on other contractors who are not "employees".

6.5 The Government's preferred approach is for the average number of full time equivalent employees during the year to be disclosed. We expect institutions to adopt the same approach to calculating this figure as they do for Companies Act purposes. Furthermore, institutions should be able to add any narrative they consider helpful to explain unusual situations.

Profit or loss before tax

6.6 The definition of profit or loss before tax should be consistent with those in an institution's financial statements.

Tax on profit or loss

6.7 Article 89(1) requires the disclosure of “tax on profit or loss”. However, it does not clarify the types of tax that should be included or on what basis tax payments should be disclosed.

6.8 In terms of the types of taxes included, we propose that only corporation tax/corporate income tax is required to be reported. This will ensure consistency across statutory accounts and would allow for a comparison with the pre-tax profit or loss figure and with headline national corporate income tax rates. Limiting the scope to corporation tax payments should also help to minimise the administrative burdens for business.

6.9 There are a number of options that could be used for the basis of the tax figures to be disclosed, including the overall accounting tax charge, current tax charge and cash taxes paid.

6.10 Although the accounting tax charge is consistent with other accounting concepts used here, such as turnover and profit, this figure will include deferred tax which may or may not be paid or recovered in future periods. As such it will not give a true representation of “taxes paid” as referred to in recital 52 of CRD4. Using the current tax charge for a period may give more meaningful information than the overall accounting tax charge, however it will still differ (for various reasons) from the actual tax paid in a given territory in a given period.

6.11 We propose that cash tax will give the most meaningful analysis in terms of “*taxes paid*” and is most closely aligned with the transparency objectives of the legislation. This approach is consistent with the financial reporting requirements for cash flow statements in IFRS and UK GAAP.

6.12 As mentioned above, institutions already disclose the global figure for corporate income tax actually paid in their published group accounts. While we expect that most institutions would have systems in place to capture details of taxes paid, there may be an additional administration burden for reporting such detail on a country-by-country basis. Providing the figures for cash tax paid (per company or jurisdiction) should not be overly burdensome for groups because this calculation already has to be made for internal management accounts and tax computations which are submitted to tax authorities.

6.13 Our suggested approach is for groups to report the actual cash figure for corporation tax paid in a financial year.

6.14 In respect of UK branches of third country institutions, we envisage the data would be determined using the existing attribution methodology used for corporation tax, which again should minimise the extent to which this imposes additional compliance burdens.

6.15 We recognise that there may be difficulties for institutions to reconcile or explain the differences between cash tax paid and the accounting tax charge. We propose that companies will have the option of including a separate narrative when reporting tax figures to enable them to explain any differences between the accounting tax charge and cash tax paid. Individual institutions would be free to disclose details of other taxes paid, such as the Bank Levy, to give an indication of total tax contribution beyond corporation tax paid. They may also wish to consider disclosing settlements with tax authorities (which may impact on cash tax).

Question 11: Do respondents agree to limit the scope of “tax on profit and loss” to corporation tax payments?

Question 12: Do respondents agree that disclosures should be reported on a cash-paid basis?

Question 13: Do respondents agree that using the existing method for corporation tax attribution ensures minimal additional compliance burdens with respect to disclosure by UK branches of third country institutions?

Public subsidies received

6.16 The Government considers that “public subsidies” in the context of CBCR should be interpreted as direct support by the Government. This should not include central bank operations that are designed for financial stability purposes or operations that aim to facilitate the functioning of the monetary policy transmission mechanism.

Question 14: Do respondents agree with the above definition of public subsidies?

7

Assessment of impacts

Introduction

7.1 This is an initial assessment of the impacts of the CBCR requirements. The final impacts will be set out in a Tax Information and Impact Note alongside the draft legislation.

7.2 We understand that much of the information required by the CBCR provisions of CRD4 could come from Companies Act and FCA returns.

Question 15: Can respondents outline how the new reporting requirements will differ from what they are currently required to report and what, if any, additional information is required.

Summary of impacts

| Exchequer impact (£m) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---|---------|---------|---------|---------|
| | Nil | Nil | Nil | Nil | Nil |
| Economic impact | The CBCR requirements concern reporting arrangements, not tax or policy. Hence, the economic impact is expected to be Nil. | | | | |
| Impact on individuals and households | There is no impact on individuals or households because the reporting requirements only apply to institutions within scope of Article 89 of CRD4. | | | | |
| Equalities impacts | There are no equality impacts because the reporting requirements only apply to institutions within scope of Article 89 of CRD4. | | | | |
| Impact on businesses and Civil Society Organisations | This measure is expected to have a negligible impact on businesses and civil society organisations. The mechanics of publication – for example, making the first public disclosure by July 2014 – will carry a resource cost for some businesses, but significant costs are unlikely. However, the consultation addresses these issues, and any impacts will be estimated fully following consultation. | | | | |
| Impact on HMRC or other public sector delivery organisations | We are proposing that the information required under this directive will be reported to HMRC in addition to the Commission. This will be used for risk assessment purposes and have negligible impact on HMRC. | | | | |
| Other impacts | Other impacts have been considered and none have been identified. | | | | |

8

Summary of consultation questions

Question 1: Do respondents believe that it would be proportionate to apply the CBCR rules to all institutions captured by CRD4? If not, please describe what specific difficulties arise for particular categories of firms, and what approach you believe would be more proportionate whilst complying with Article 89.

Question 2: Do respondents agree that the CBCR requirement should apply equally to UK subsidiaries and to UK branches of institutions which are established in third countries?

Question 3: Which approach to consolidation (prudential or IFRS accounting) do respondents believe is more appropriate?

Question 4: Do respondents believe the above approach for reflecting consolidation adjustments is satisfactory? If not, please describe an approach that you believe would be more suitable.

Question 5: Do respondents agree that the appropriate definition of the term “establishment” in this context should be both subsidiary and branch?

Question 6: Do respondents think there should be a standard template for disclosures?

Question 7: Do respondents agree with the above approach? If not, please describe an approach that you believe would be more suitable.

Question 8: Can respondents identify any serious impediments to institutions reporting the relevant information by July 2014?

Question 9: Do these auditing requirements pose any difficulties?

Question 10: Do respondents agree with the above definition of turnover?

Question 11: Do respondents agree to limit the scope of “tax on profit and loss” to corporation tax payments?

Question 12: Do respondents agree that disclosures should be reported on a cash-paid basis?

Question 13: Do respondents agree that using the existing method for corporation tax attribution ensures minimal additional compliance burdens with respect to disclosure by UK branches of third country institutions?

Question 14: Do respondents agree with the above definition of public subsidies?

Question 15: Can respondents outline how the new reporting requirements will differ from what they are currently required to report and what, if any, additional information is required.

9

The consultation process

9.1 This consultation is being conducted in line with the Tax Consultation Framework. There are five stages to tax policy development:

- Stage 1 – Setting out objectives and identifying options
- Stage 2 – Determining the best option and developing a framework for implementation including detailed policy design
- Stage 3 – Drafting legislation to effect the proposed change
- Stage 4 – Implementing and monitoring the change
- Stage 5 – Reviewing and evaluating the change

9.2 This consultation combines stages 1 and 2 of the process. Part of the consultation seeks views on the policy design and any suitable possible alternatives, other parts seek views on the detailed policy design and framework for implementation.

How to respond

9.3 Responses are required by 18 October 2013.

9.4 Please send responses to:

CBCR consultation
Financial Services Group
Floor 1, Red
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

Email: CBCRconsultation@hmtreasury.gsi.gov.uk

9.5 A summary of the questions in this consultation is included in Chapter 8.

9.6 Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from the HM Treasury website. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

9.7 When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

Confidentiality

9.8 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are

primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1988 (DPA) and the Environmental Information Regulations 2004.

9.9 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

9.10 HM Treasury will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

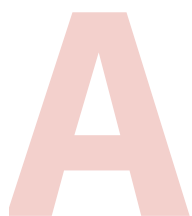
9.11 This consultation is being run in accordance with the Government's Consultation Principles.

9.12 The Consultation Principles are available on the Cabinet Office website:
<https://www.gov.uk/government/publications/consultation-principles-guidance>

9.13 If you have any comments or complaints about the consultation process please contact:
Amy Burgess, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.



Article 89

Article 89 – Country-by-country reporting

1. From 1 January 2015 Member States shall require each institution to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:

- (a) name(s), nature of activities and geographical location;
- (b) turnover;
- (c) number of employees on a full time equivalent basis;
- (d) profit or loss before tax;
- (e) tax on profit or loss;
- (f) public subsidies received.

2. Notwithstanding paragraph 1, Member States shall require institutions to disclose the information referred to in paragraph 1(a), (b) and (c) for the first time on 1 July 2014.

3. By 1 July 2014, all global systemically important institutions authorised within the Union, as identified internationally, shall submit to the Commission the information referred to in paragraph 1(d), (e) and (f) on a confidential basis. The Commission, after consulting EBA, EIOPA and ESMA, as appropriate, shall conduct a general assessment as regards potential negative economic consequences of the public disclosure of such information, including the impact on competitiveness, investment and credit availability and the stability of the financial system. The Commission shall submit its report to the European Parliament and to the Council by 31 December 2014.

In the event that the Commission report identifies significant negative effects, the Commission shall consider making an appropriate legislative proposal for an amendment of the disclosure obligations set out in paragraph 1 and may, in accordance with point (h) of Article 145, decide to defer those obligations. The Commission shall review the necessity to extend deferral annually.

4. The information referred to in paragraph 1 shall be audited in accordance with Directive 2006/43/EC and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the institution concerned.

5. To the extent that future Union legislative acts for disclosure obligations go beyond those laid down in this Article, this Article shall cease to apply and shall be deleted accordingly.

HM Treasury contacts

This document can be downloaded from
www.gov.uk

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language, format or have general enquiries
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