

Madam Co-Lead,

Thank you for giving me the floor.

My colleagues from civil society highlighted the **importance of looking at intra-group activities, which represent a significant share of cross-border services**. Additionally, yesterday we heard from several member states, for instance, Egypt that “service transactions are one of the most common transactions that may lead to profit shifting.” I believe these are **very important points** that highlight the need to look not only at treaty limitations, but also at the allocation of profits related to services within groups.

My statement seeks to provide more information on how to make one of the proposed **net methods i.e. unitary taxation and formulary or fractional apportionment in addressing profit allocation more implementable**. No form of unitary taxation can work without access to consolidated financial information. We can only tax what we can see and count. Yet, in today’s economy, a high share of economic activity remains hidden and uncounted. Public country-by-country reporting is the only way to effectively guarantee governments and citizens understand where multinational companies operate, where they report their profits, and where they pay taxes. We therefore make the following points with regard to public country by country reporting:

- **We should include disaggregated data on sales by final destination, with a consistent separation of third-party and intra-group transactions.** Market jurisdictions have the right to know the size of their markets and where locally generated revenues ultimately flow. Additional data, such as the geographic distribution of users, may also be needed to implement this protocol, particularly in non-payment situations. This will be particularly important for the nexus discussions.
- Currently, CbCR reports are not shared with most developing countries. **This is partially because of the current restrictive rules that CbCR reports are shared only with countries where companies have a local legal presence (PE or constituent entity) as well as the restrictive EOI framework.** Market and source jurisdictions without a legal presence must also have access, and the most effective way to ensure equal access for all is to make these reports public. In fact, especially for the service discussion, **a lot of what is called “market” countries** are in fact **source countries** inadequately captured by existing norms, which are overly reliant on physical presence. Public country-by-country reporting, which should be cemented within the Framework Convention, is the only way to effectively guarantee that governments and citizens understand where multinational companies operate, where they report their profits, and where they pay taxes.

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- CBCR reports are shared only with countries where companies have a local legal presence — and not even all of them, Market jurisdictions without a legal presence must also have access, and the most effective way to ensure equal access for all is to make these reports public. Public country-by-country reporting, which should be included within the Framework Convention, is the only way to effectively guarantee that governments and citizens understand where multinational companies operate, where they report their profits, and where they pay taxes.
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Thank you, Mr. Co-lead.

My name is Florencia and I am speaking on behalf of the Tax Justice Network.

My colleague highlighted the importance of looking at intra-group activities, which represent a significant share of cross-border services. I would like to complement that point by emphasizing the importance of adequate transparency measures within the main Framework for the implementation of this protocol, in particular the establishment of a centralised database of public country-by-country reports, as foreseen in the *Compromiso de Sevilla*.

We can only tax what we can see and count. Yet, in today's economy, a high share of economic activity remains hidden and uncounted.

In particular, in our digitalised and globalised economy, it is simply unacceptable that CBCR reports are shared only with countries where companies have a local entity – and not even all of them, under the OECD's exclusionary approach. Market jurisdictions without a legal presence must also have access, and the most effective way to ensure equal access for all is to make these reports public. Public country-by-country reporting is the only way to effectively guarantee governments and citizens understand where multinational companies operate, where they report their profits, and where they pay taxes.

However, transparency alone is not enough. We must also improve existing reporting standards. The required information should include disaggregated data on sales by final destination, with a consistent separation of third-party and intra-group transactions. Market jurisdictions have the right to know the size of their markets and where locally generated revenues ultimately flow. Additional data, such as the geographic distribution of users, may also be needed for implementing this protocol, particularly in non-payment situations.

A recent example illustrates the importance of transparency. At the beginning of this year, new filing requirements in the United States led multinational companies to disclose how much income tax they pay in each jurisdiction where more than five percent of their total income taxes paid. Among the companies reporting under these requirements are several major digital service providers, including Netflix and Meta.

Mr. Chair, almost no country represented in this room appears on these lists. The reason is clear: countries have limited their taxing rights through the tax treaties they have signed, and, in the lucky event where a local entity exists, in our globalised economy, transfer pricing rules often allocate only a minimal share of profits to market and source jurisdictions.

The disclosed data does not include information on profits, revenues, employees, or sales by country, which makes it impossible to calculate effective tax rates by jurisdiction or to assess whether taxes are being paid in proportion to real economic activity. But they confirm what all of us here already know: existing rules do not allocate taxing rights in anything like a fair

way. Globally public country by country reporting will ultimately provide the basis to judge whether this framework convention has delivered on its objectives of equitable taxation of multinational companies and the fair allocation of taxing rights.

Thank you, Chair.