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Questionnaire: Country-by-Country Reporting by Multinational Companies

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The Danish government welcomes the initiative by the European Commission to evaluate the feasibility of requesting certain companies, to disclose some key financial information regarding their activities in third countries. The Danish government is with great interest following the international initiatives taken in this area.

Country-by-country reporting in general offers a number of interesting possibilities - but also provides a number of challenges.

Any possible regulation should be done globally - partly to achieve the wanted effect, partly to protect against unfair competition.

The overall objective of country-by-country reporting is greater transparency. Basically greater transparency will benefit investors as well as the overall economy. Therefore it is appropriate to constantly evaluate the requirements of the accounts as well. It also applies to the need for information about where and how multinational companies generate their profit. Country-by-country reporting is an example of information that might be relevant to describe the activities of the company, etc.

It is also important to be aware that too much detailed information on a particular area might blur the sight of the companies' financial situation and thus be of more harm than benefit.

In evaluating the value of country-by-country information it is relevant first to determine the exact purpose of such and the specific audience. Such an analysis is an important element in determining whether the purpose is best achieved by requiring any country-by-country data included in financial statements or if the purpose is better achieved by other means, for example through initiatives like the Extractive Industries Transparency Initiative, EITI. In relation to the actual tax payment the value of country-by-country report should also be compared with the usefulness of emphasizing the actual tax control.
It is also important carefully to assess what information might be required. In this context it will be relevant to examine whether reporting for each country where a company operates in all cases would be the right cut. A multinational company may have several subsidiaries in one par-

ticular country that have different activities and is completely independent of each other. Since the activities within the individual countries can be very diverse and subject to various conditions, a direct numerical comparison country-by-country could be more misleading than enlightening.

Moreover, the pure numerical data often can not stand alone. Often they need to be accompanied by a verbal description to be useful for the users.

Information requirements applying only to European companies could harm them in the global competition due to the fact that they should disclose to their competitors information that these not themselves are required to disclose. It is also important that the requirement for listed companies does not give them unnecessary burdens compared to other companies, which could make it less attractive to be listed. If it becomes less attractive to be a listed company, some companies would raise less additional capital detrimental to economic growth and creating new jobs, etc.

It is thus crucial that the information that might be required have been subjected to a careful cost-benefit assessment. In this context it must also be assessed whether new reporting requirement increases the administrative burdens on the companies concerned unnecessarily.

As part of the uncovering of the need for country-by-country reporting and the uncovering of which data, if any, should be required, it will be obvious to look at lessons learned from the initiatives already underway, not least the recent U.S. initiative regarding extraction industries and EITI.

Yours Sincerely

Brian Mikkelsen