SWEDISH
CORPORATE
GOVERNANCE BOARD

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Comments regarding the European Commission's proposals for the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches

The Swedish Corporate Governance Board ("the Board") hereby submits its comments on the European Commission's proposed directive on amendments to Directive 2013/34/EU regarding disclosure of income tax information by certain undertakings and branches ("the Proposed Directive").

Summary

The Board does not endorse the proposal and is instead of the opinion that any expanded accounting should be voluntary and be developed based on companies' existing financial accounting and sustainability reporting and, if necessary, be regulated within these frameworks

Comments on the content of the reporting

Today, many stakeholders wish to see greater transparency regarding companies' comments on taxes and whether they act responsibly in countries in which they operate. At the same time, we have an increasingly globalised and digitalised world where it is often impossible to determine where a company's value creation occurs.

It is important that companies act in line with the interests of society and comply with laws and regulations in a responsible manner. This applies to corporate tax and other taxes. However, it is important to emphasise that taxation is not harmonized within the Union.

Taxation is a complex area, which makes accounting of taxes also complex. The proposal covers only the reporting of corporate tax, even though the extent to which companies contribute fiscally in other ways must be considered at least as important. That this perspective is completely absent in the proposal is a shortcoming in the opinion of the Board. The proposal does not take into account the great differences that exist between different industries. Another flaw is that the reporting is not materiality based and reconcilable with the rest of companies' accounting.

The Board is of the opinion that general separate reporting, as proposed, will not satisfy the need for increased relevant transparency among companies' stakeholders. Reporting also relates principally the Member States, and within the EU there is already a political opportunity to ensure that competition takes place on equal terms, meaning that also the need for reporting is highly questionable. One must be very careful that ill-conceived requirements regarding reporting on an issue as explosive as tax - where the company's tax payments primarily reflect the national legislators' choice of regulation –

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does not damage companies even though they have both complied with the regulations and acted in a sustainable manner.

In light of the above, the Board opposes the proposal and instead advocates that expanded accounting be voluntary and developed based on companies' existing financial accounting and sustainability reporting.

Stockholm, 17 May 2016

THE SWEDISH CORPORATE GOVERNANCE BOARD

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