

Ministry of Finance
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Expectations on international corporate tax transparency

We refer to the Ministry's letter of 29 June 2016 following up the Storting's consideration of Report to the Storting No. 23 (2015-2016) on the Management of the Government Pension Fund Global in 2015. The Ministry raises a number of matters in its letter, including the Storting's resolution to "request the government to ask Norges Bank to consider developing an expectations document on tax for the companies the fund is invested in".

Referring to the Standing Committee on Finance and Economic Affairs' Recommendation No. 326 S (2015-2016), the Ministry writes: "The Standing Committee also mentions the hearing on the Report to the Storting on 29 April 2016 where the Minister of Finance spoke about secrecy jurisdictions and various issues relating to the GPF. The Minister argued that transparency and good reporting build trust, counteract secrecy and support fair taxation, and noted that these are issues that Norges Bank is already addressing in its ownership work." The Ministry also refers to the Standing Committee stating in its recommendation that "greater requirements for transparency and disclosure from the GPF's investee companies on revenue streams and tax matters could counter the effect of the secrecy offered by these jurisdictions. Clear expectations from financial investors such as the GPF could counter the use of secrecy jurisdictions to conceal unlawful activities such as corruption, money laundering and tax evasion, and so contribute to more effective and legitimate markets. The Standing Committee believes that it will be important to have more knowledge of the different sides of tax matters at and around the companies Norges Bank invests in."

Norges Bank concurs with the importance of transparency and good reporting for building trust, counteracting the consequences of secrecy and supporting fair taxation across jurisdictions. As a long-term global investor, Norges Bank aims to promote standards and practices that contribute to fair competition and are long-term sustainable. Norges Bank would draw attention to the instruments at the government's disposal for achieving goals for the taxation of multinational companies in the form of international cooperation and national implementation of international initiatives. Steps are currently being taken by a number of international organisations, and between countries, to strengthen international rules on the taxation of multinationals. One aim of these programmes is to address the challenges



presented by a lack of transparency.

International work on coordination to avoid erosion of tax bases deserves support from an investor perspective. In time, Norges Bank assumes that national implementation of the likes of the OECD's Base Erosion and Profit Shifting Package will create a more predictable and consistent international framework for corporate taxation. This work will contribute to a more level playing field and make the creation of complex tax structures less attractive. It is further expected to reduce the use of secrecy jurisdictions and the potential negative consequences thereof. Greater transparency can also make it easier for investors to assess companies' strategy and any risks associated with international taxation.

The issue of companies' transparency on taxation and international capital flows is closely related to the development of international standards and frameworks, including for investors. Norges Bank is currently working on an expectations document on international corporate tax transparency. These expectations are based on a broad investor perspective, including the respective roles of authorities, company boards and investors, the development of international regulation, and leading practices. We would stress that tax levels and the enforcement of tax legislation are a matter for the authorities rather than investors. Nor can investors closely monitor the tax strategies that companies adopt. Investors may, however, have a role to play in promoting good international standards and transparency at multinationals, so contributing to legitimate and well-functioning markets.

The starting point for our interaction with companies is the board's responsibilities and role as set out in, for example, the G20/OECD Principles of Corporate Governance. Our ongoing analysis and development work includes obtaining input from relevant experts, industry and other stakeholders.

Norges Bank plans to publish its expectations document on international corporate tax transparency during the first quarter of 2017.

Yours faithfully

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