

BIAC Statement of Tax Principles for International Business

September 2013

Intention of statement of tax principles

This Statement of Tax Principles is intended to promote and affirm responsible business tax management by international business. These principles are based on five key observations:

- Public trust in the tax system is a vital part of any flourishing society and growing economy.
- Most businesses comply fully with all applicable tax laws and regulations, recognising the obligations of governments to protect a sustainable tax base.
- International businesses contribute significantly to the global economy and pay a substantial amount of tax comprising not only corporation tax, but also labour taxes, social contributions and other taxes such as environmental levies and VAT.
- Transparency, open dialogue and co-operation between tax authorities and business contributes to greater compliance and a better functioning tax system.
- Tax is a business expense which needs to be managed, like any other, and therefore businesses may legitimately respond to tax incentives and statutory alternatives offered by governments

The objectives

- To enhance co-operation, trust and confidence between tax authorities, business taxpayers and the public in regard to the operation of the global tax system.
- To promote the efficient working of the tax system to fund public services and promote sustainable growth.
- To support stability, certainty and consistency in global tax principles that will foster cross-border trade and investment.

Tax planning principles

- International businesses should only engage in tax planning that is aligned with commercial and economic activity and does not lead to an abusive result.
- International businesses may respond to tax incentives and exemptions.
- International businesses should interpret the relevant tax laws in a reasonable way, consistent with a relationship of 'co-operative compliance' with tax authorities.
- In international tax matters, businesses should follow the terms of the applicable Double Taxation Treaties and relevant domestic and OECD guidance. Business should engage constructively in international dialogue on the review of global tax rules and the need for any changes.

Transparency and reporting principles

Relationships between international businesses and tax authorities should be transparent, constructive, and based on mutual trust with the result that tax authorities and business should treat each other with respect, and with an appropriate focus on areas of risk. International businesses should, therefore:

- Be open and transparent with the tax authority in each jurisdiction about their tax affairs and provide the relevant, reasonably requested information (subject to appropriate confidentiality provisions) that is necessary to enable a reasonable review of possible tax risk.
- Work collaboratively with tax authorities to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible.
 - Seek, where necessary, to increase public understanding in the tax system in order to build public trust in that system, and, to that end:
 - Where they determine such explanations would be helpful to building public trust in the tax system, they should consider how best to explain to the public their economic contribution and taxes paid in the jurisdictions in which they operate.