Opening the vaults: the use of tax havens by Europe's biggest banks.

Appendix 1: Methodology

1.1 Research population and data sources

Scope of the research

The 20 largest banks in the EU in terms of total assets[1] are included in this research:

Bank	Home country
HSBC	UK
Barclays	UK
RBS	UK
Lloyds	UK
Standard Chartered	UK
BNP Paribas	France
Crédit Agricole	France
Société Générale	France
BPCE	France
Crédit Mutuel-CIC	France
Deutsche Bank	Germany
Commerzbank AG	Germany
IPEX (KfW Group)	Germany
ING Group	Netherlands
Rabobank	Netherlands
UniCredit	Italy
Intesa Sanpaolo	Italy
Santander	Spain
BBVA	Spain
Nordea	Sweden

Country-by-country-reporting (CBCR) data

The information used in this report was taken from the 2015 CBCR that banks published in 2016 as part of their financial statements, annual reports or in separate reports and on their corporatewebsites.[2] The banks listed above are required to disclose CBCR data annually under the EU's fourth Capital Requirements Directive (CRD IV), article 89,[3] which reads:
'From 1 January 2015 Member States shall require each institution to disclose annually, specifying by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:

(a) name(s), nature of activities and geographical location;
(b) turnover;
(c) number of employees on a full time equivalent basis;
(d) profit or loss before tax;
(e) tax on profit or loss;
(f) public subsidies received.'

The analysis in this report is based on the 2015 CBCR data as published by banks in 2016, unless the 2015 data was not available. This was only the case for Lloyds, who had not yet published data for 2015 by the time the research began. The most recent data available (2014) was used.[4]
Full CBCR data was made available by all EU financial institutions for the first time in 2016, although some countries and banks were early implementers, one year ahead.
CBCR analysis will become more accurate and patterns and trends clearer as more data become available over the coming years.
The sample of 20 banks does not cover the whole banking sector, however, the institutions covered by this research constitute a significant share of the market. The scope of the research was mainly determined by the difficulties encountered in data collection (see Appendix 2) due to the lack of a centralized and open reporting format.

The information not required by the directive but provided by some banks in addition to the data mentioned above – such as total assets (ING, Netherlands) or both current and deferred taxes (all French banks except BPCE) – were also included in the data collection but not always used as it was not possible to get aggregated and comparable data for the 20 banks.

Banks reported in three different currencies (euros, dollars and pounds). All amounts were converted to euros using 2015 average exchange rates.[5] All data have been gathered in an Excel spreadsheet and published on Oxfam's website to make them available to individuals, civil society, the media and MPs

US banks

US banks are, under CRD IV, obliged to publish a consolidated CBCR report for their European branches and subsidiaries (i.e. entities that are in the EU but are not directly or indirectly owned by another EU subsidiary). These banks are not required to publish a country-by-country report for their operations which are not subject to EU legislation. Banks headquartered in the EU provide one consolidated report that encompasses all of their business activity – these reports have been analyzed in the box on page 20. Because the EU subsidiaries of US banks that provide country-by-country reports are not at the top of the corporate structure, and because other, non-EU

operations of US banks exist, US bank data is inherently less complete than data for EU banks. Because US banks are not required to report on all their subsidiaries or all their profits in their reporting, it could very well be that these banks shift profits to or from subsidiaries not covered in their country-by-country reports.
In addition, while EU banks have a European parent company at the top of their corporate structure and provide one single CBC report for their total operations, US banks provide several. This report analyses a total of 19 CBC reports available from the banks' corporate websites (from the most recent year available). They cover 19 different EU subsidiaries of the banks, and are divided among the six US banks as follows (including the most recent year of available data):

Bank of America: three CBCR reports (2015)
- Bank of America Merrill Lynch International Ltd.
- Merrill Lynch International Ltd.
- Merrill Lynch International Bank D.A.C.

Citi Bank: three CBCR reports (2014)
- CITI Bank Europe PLC
- CITI Bank International Ltd.
- CITI Bank Global Markets

Goldman Sachs: one CBCR report (2014)
- Goldman Sachs Group UK Limited (which is taking several of its UK subsidiaries together)

JP Morgan & Chase: 10 CBCR reports (2014)
- JP Morgan International Bank Ltd.
- JP Morgan Bank Luxembourg SA
- JP Morgan Chase Bank, N.A., Milan Branch
- JP Morgan Bank (Ireland) PLC
- JP Morgan AG
- JP Morgan Trustee & Administration Services Limited
- JP Morgan Securities PLC
- JP Morgan Markets Limited
- JP Morgan Mansart Management Limited
- JP Morgan Limited

Morgan Stanley: one CBCR report (2014)
- Morgan Stanley International Limited

Wells Fargo: one CBCR report (2015)

Methodology for the analysis of EU banks' US subsidiaries in Delaware (page 31)

Annual reports in most cases include a full list of subsidiaries that is separate from the CBCR in which some banks provide a list of their main subsidiaries. Depending on the bank, the full list of subsidiaries may also include the location of the subsidiary (country or city), the nature of the subsidiary (fully owned subsidiary, associate, joint-venture), the percentage of participation, the consolidation status (consolidated or not), the status (active, dormant, in dissolution) and the type of activity. Full lists of subsidiaries were collected for 17 banks. The lists for Lloyds, ING bank and Nordea were not taken into account for the following reasons: Lloyds' list does not specify the exact location of subsidiaries, ING's list of subsidiaries is only available at the Dutch Chamber of Commerce and Nordea does disclose a list but it was not found at time for the research.

As explained in section 1.2, some jurisdictions appearing in Oxfam's list of tax havens do not feature in the country-by-country reports even though banks operate there. This is in particular the case for Delaware, US state and tax haven. The results mentioning Delaware in this paper therefore stem from the analysis of the full lists of subsidiaries, be it fully owned, associate or joint-venture.

Two cases must be highlighted.

1) Five EU banks (Deutsche Bank, Rabobank, Commerzbank AG, Intesa Sanpaolo and UniCredit) provided, along with their subsidiaries, information enabling their activity in Delaware to be differentiated from the rest of their activity in the US. For those banks, we simply calculated the proportion of their subsidiaries based in Delaware from their total of 474 US subsidiaries.
2) For the twelve other banks, which do not give such a high degree of information, the list of their US subsidiaries was analysed through the OpenCorporates database.[6] OpenCorporates gathers and makes freely accessible scattered information owned by separate jurisdictions around the world. Generally, it is possible to have access to the name of the company, its type, company number, incorporation date and location. In the case of Delaware, OpenCorporates uses the information from Delaware's register of companies incorporated on its territory that is public but guarantees full secrecy as no information on members, managers or shareholders of the companies are listed.[7] The banks' US subsidiaries were compared with the OpenCorporates database in order to count how many of them are incorporated in Delaware. In other words, the 783 US subsidiaries listed by the twelve banks in their financial documentation were screened on the OpenCorporates database. The latter provided matching suggestions for each subsidiary. Only suggestions that perfectly matched (regardless of the letter case and ending like 'CORP', 'INC', 'LLC') were taken into account, excluding many subsidiaries having almost the same name. After this first selection, two scenarios were possible:
   - When only one match was found, and if this subsidiary is located in Delaware according to OpenCorporates, this was counted as one subsidiary in Delaware.
   - When two or more matches were found (the majority of cases), only one subsidiary was counted. To do this, we examined the links between the suggested matches. Most of the time it was a parent company and affiliated companies with the same name. In this case, we considered only parent companies that are located in Delaware, excluding all other subsidiaries, including those in Delaware.

The findings presented in this section are conservative and should be viewed as a minimum estimate. In case 1), the survey shows that 357 of the 474 subsidiaries were domiciled in Delaware, which equals 75 percent of them. In case 2), the survey shows that at least 389 of 783 subsidiaries were registered in Delaware, which amounts to 50 percent. This means that in total at least 59 percent of EU banks' US subsidiaries were registered in Delaware in 2015.

Company review and right of reply

During the course of this research, Oxfam contacted the 20 EU banks and the 6 US banks covered by the study. This dialogue aimed at giving banks the opportunity to check the data used, reply to Oxfam's questions and need for clarifications and provide additional contextual information in order to enable the researchers to better understand the data. When judged useful and relevant, their responses were taken into account in the interpretation of the data and their explanations were added in the report.

1.2 List of tax havens

Tax havens are jurisdictions or territories which have intentionally adopted fiscal and legal frameworks which allow non-residents (individuals or legal entities) to minimize the amount of taxes they pay where they perform substantial economic activity.

Tax havens tend to specialize and most of them do not tick all of the boxes, but they usually fulfil several of the following criteria:

- They grant fiscal advantages to non-resident individuals or legal entities only, without requiring that substantial economic activity be made in the country or dependency.
- They provide a significantly lower effective level of taxation, including zero taxation for individual or legal entities.
- They have adopted laws or administrative practices that prevent the automatic exchange of information for tax purposes with other governments.
- They have adopted legislative, legal or administrative provisions that allow the non-disclosure of the corporate structure of legal entities (including trusts, charities, foundations etc.) or the ownership of assets or rights.

Oxfam calls for the setting up of integrated, binding, exhaustive and objective monitoring exercises of tax havens at a global level, in order to assess the risks posed by these jurisdictions. These exercises should be held regularly and their outcomes should be made public.

List of territories operating as tax havens (2016)

Despite periodic efforts, the international community has failed to agree collectively on a list of tax havens. The EU recently agreed on common criteria to identify corporate tax havens as well as secrecy jurisdictions, but it still needs to assess third countries according to these criteria, and EU countries themselves will not be assessed as part of this process. There is at the moment no universal list of tax havens.

While keeping this in mind, for this report Oxfam used a list of tax havens that:

(i) covers criteria agreed with civil society organizations;
(ii) refers to a compilation of lists used most frequently by the following international institutions:
- UN Conference on Trade and Development (UNCTAD)
- International Monetary Fund (IMF)
- Bank for International Settlements (BIS)
- US Government Accountability Office (GAO)
- Financial Times Stock Exchange (FTSE)
- European Commission (EC) and investigations from the European Commission (EU inv.)
- European Parliament (EP)
- Organisation for Economic Cooperation and Development (OECD)
- Financial Secrecy Index (FSI)

(iii) used Oxfam analysis to determine to what extent jurisdictions met one or several of the criteria identified above in the definition.

Oxfam has developed its own list according to the above criteria, using as much of the credible information that is available to identify a territory as a tax haven. Most of the lists used by the international institutions named above are complementary and there is substantial overlap. The end result is a list of 58 jurisdictions, of which:

- 83 percent (48 jurisdictions) are in at least three lists mentioned in point ii) above, with many appearing on all of the lists;

- 12 percent (7 jurisdictions) appear on two lists;

- 5 percent (3 jurisdictions) appear on just one list.

This is not, however, an exhaustive list of all countries fulfilling some or all of the criteria, and other countries may need to be added to the list. Some of the jurisdictions on this list are more frequently used by individuals for criminal activities or corruption, while others are primarily used by multinational corporations to avoid or defer payment of their fair share of taxes.

List of tax havens according to Oxfam

Tax haven	UNCTAD	IMF	BIS	GAO	FTSE	EC	EP	OECD	FSI	EU inv.
Andorra		X		X	X	X	X			
Anguilla	X		X	X	X	X	X	X	X	
Aruba	X	X	X	X	X		X	X	X	
Austria	X								X	
Bahamas	X	X	X	X	X	X	X	X	X	
Bahrain	X		X	X	X		X	X	X	

Barbados	X		X	X	X	X	X	X	X	
Belgium										X
Belize	X	X		X	X	X	X	X	X	
Bermuda	X	X		X	X	X	X	X	X	
British Virgin Islands	X	X		X	X	X	X	X	X	
Cayman Islands	X	X	X	X	X	X	X	X	X	
Costa Rica				X	X				X	
Curaçao			X						X	
Cyprus	X	X			X	X		X	X	
Dominica	X			X			X	X		
Delaware					X		X		X	
Fiji							X			
Gibraltar	X	X	X		X			X	X	
Grenada	X			X		X		X		
Guam			X				X			
Guernsey	X	X			X	X	X	X	X	
Hong Kong			X	X	X	X	X		X	
Ireland					X					X
Isle of Man	X	X	X		X		X	X	X	
Jersey	X	X	X		X		X	X	X	
Jordan				X	X					
Labuan		X					X		X	
Lebanon			X	X	X		X		X	
Liberia	X			X	X	X		X	X	
Liechtenstein	X	X			X	X	X	X	X	
Luxembourg					X				X	X
Macao		X	X	X	X		X		X	
Maldives					X	X	X			
Malta	X				X			X	X	
Marshall Islands	X			X		X	X	X	X	
Mauritius	X		X		X	X	X	X	X	
Monaco	X	X			X	X	X	X	X	
Montserrat	X	X		X		X	X	X		
Netherlands	X				X				X	X
Niue	X					X	X	X		
Nauru	X			X		X	X	X		
Palau		X					X			
Panama	X	X	X	X	X	X	X	X	X	
Samoa	X	X	X	X	X	X	X	X	X	
St Kitts y Nevis	X	X	X	X	X	X	X	X	X	
Saint Marten			X							
San Marino	X						X	X		
St Vincent and Gren.	X			X		X	X	X	X	
St Lucia	X			X	X		X	X	X	
Seychelles	X	X			X	X	X	X	X	

Singapore				X	X		X		X
Switzerland					X		X		X
Tonga				X			X		
The Cook Islands	X	X		X	X	X	X	X	
Turks and Caicos	X	X				X	X	X	X
US Virgin Islands	X			X	X	X	X	X	X
Vanuatu	X	X	X	X		X		X	X

Note: The jurisdictions where at least one of the 20 banks covered by this research has operations are in bold

<u>Group 'tax havens'</u>

For the purposes of this study, the countries in which banks have activities were put into two groups: the tax havens and the rest of the world (see exceptions below). The tax havens group includes 31 countries and the rest of the world group lists 108 countries. This distinction is used throughout the report when comparing banking activities in tax havens and non-tax havens. The US state of Delaware and the Malaysian territory of Labuan are internal tax havens harboured by countries that are not tax havens as a whole. CBCR is insufficiently detailed to distinguish between the part of the activity (turnover, profit, employees, etc.) that is conducted in these specific territories and the rest of the country. In order not to skew the conclusions of this report, both the USA and Malaysia were excluded from the group of tax havens, excluding de facto Delaware and Labuan. This decision tends to understate the activities of banks in tax havens, particularly in the case of Delaware where banks have a significant proportion of their US subsidiaries (see analysis page 31)

For banks headquartered in a tax haven, the home-country activities are included in the total figures for home countries, not in those for tax havens. This is the case for the activities of ING and Rabobank in the Netherlands.

<u>Jersey, Guernsey and the Isle of Man grouped as one single jurisdiction</u>

Multiple banks have different reporting standards regarding Jersey and Guernsey (together referred to as 'the Channel Islands') and the Isle of Man. Some report on the Channel Islands as one jurisdiction. Others also include the Isle of Man in this small group. This limits the way in which this research can draw conclusions regarding Jersey, Guernsey and the Isle of Man as three separate jurisdictions. In order to minimize these limitations and avoid double counting, we chose to 'group' the three islands into one jurisdiction – as one tax haven.

1.3 Indicators

The CBCR data was collected for each of the 20 banks and was used to calculate a number of indicators for each bank and, subsequently, for each country. This section will explain: what each of these indicators calculates and how; in what way it can be an indication for profit shifting and can have an impact on the banks' tax liabilities paid in each country; and what the possible limitations are.

The results of the measuring of the indicators explained below are divided into several categories for each bank – when relevant and if possible – to allow for a more detailed analysis:

- Global (including all countries in which a bank has operations based on CBCR data).
- Home country (the country where its headquarters are located).
- Tax havens (including all countries on the Oxfam list of tax havens where a bank has operations according to CBCR data).

Effective tax rate

The general idea behind effective tax rates is to look at a corporation's actual tax contribution by dividing income taxes by a measure of taxable income.
If the effective tax rate is substantially lower than the statutory tax rate, this could mean that the company benefits from special tax exemptions or a preferential tax regime, or that part of its profits are not taxed in the jurisdiction. Combined with a high profit margin or high profits per employee, this indicates potential profit shifting into a low-tax jurisdiction.
The simplest and most commonly used measure draws on the tax expense line item in the income statement and divides this by the pre-tax income line item.[8] This data is included in the country-by-country data of all non-UK banks. The five banks from the UK report taxes paid (on a cash basis, from the cash flow statement) in their country-by-country reports instead of the tax charge (on an accrual basis, from the income statement). This makes it more difficult to interpret the data, because cash tax payments in 2015 partly relate to tax charges on the profits for the year 2014.

The following formula is used to calculate effective tax rates for banks in all the countries they operate in:

$$Effective\ tax\ rate = \frac{Tax\ on\ profit\ or\ loss}{Profit\ or\ loss\ before\ tax}$$

Another way to measure effective tax rates is to exclude deferred tax expenses.
Income tax expenses consist of both current tax expenses (taxes that are due regardless of future developments) and deferred tax expenses (tax on profits, or tax credits for losses, that will only become due in a later year, sometimes dependent on future developments). Sometimes companies use structures to defer tax payments indefinitely, or for a very long period. Deferred taxes can thus overstate income tax payments. The opposite is also possible, however: if a company (or bank in this case) expects to use tax credits in the future and thus lowers its reported total tax expense by including a deferred tax credit. Banks also told us that they set aside a portion of profits for non-tax one-off costs. These can reduce profits margins significantly.

Calculating a current effective tax rate (excluding deferred taxes) is only possible if banks make a distinction in their CBCR data between current and deferred income tax expenses. In the selection of banks looked at for this report, it appears that only four French banks report on this. Therefore, in this research it is only possible to calculate the current effective tax rate for BNP Paribas, Société Générale, Crédit Agricole and Crédit Mutuel-CIC, according to the following formula:

$$Current\ effective\ tax\ rate = \frac{Current\ tax\ on\ profit\ or\ loss}{Profit\ or\ loss\ before\ tax}$$

Labour productivity

Productivity can be calculated using profit (or loss) before tax, which shows how much profit (or loss) before tax is generated per employee. It is calculated by dividing profit (or loss) before tax by the number of employees, leading to the following formula:

$$Labour\ productivity\ (profit) = \frac{Profit\ or\ loss\ before\ tax}{Number\ of\ employees\ (FTE)}$$

This provides an indicator that can be used to draw comparisons between banks and countries. A relatively high labour productivity in a country could indicate the artificial shifting of profits towards that country for tax purposes. This is amplified by the fact that, in general, the subsidiaries of multinationals in tax havens have relatively few employees. This means that in tax havens the ratio between the number of employees and profits reported tend to be very high compared with non-tax havens where profits may be shifted from, and where in general, a bank has far more employees. This is thus considered to be an indication of profit shifting under the assumption that, when there is no profit shifting, average labour productivity should be similar between the different countries where a bank is active.

Pre-tax profit margin

The profit margin gives an indication of how profitable a company is – i.e. how much profit is made compared with the generated turnover. There are several ways of calculating the profit margin, depending mostly on which level of profit is used (gross profit, operating profit, pre-tax profit and net profit). Since CBCR provides us with pre-tax profit (or loss) only, this is the level of profit used in the calculations. The profit margin is therefore expressed as the profit (or loss) before tax as a percentage of turnover, which gives the following formula:

$$\text{Pre} - \text{tax profit margin} = \frac{Profit\ or\ loss\ before\ tax}{Turnover}$$

The pre-tax profit margin indicator gives another means of identifying countries to which banks may artificially shift profits to for tax purposes. This is the case because what is shifted is profit, not turnover. This means that the ratio between turnover and profits (which the pre-tax profit margin expresses) will be higher in jurisdictions where profits are shifted to and lower in jurisdictions where profits are shifted from. The assumption is made that without profit shifting taking place, the average profitability is similar between the different countries where a bank is active.

Over- or under-reporting of profit

Each of the two indicators above can be used to calculate the amount of profits expected to be reported in all jurisdictions. As a basis for the calculations, we take the overall global figure for each indicator (e.g. labour productivity). By multiplying a figure reported in a specific country (e.g. number of employees in Germany, as reported by HSBC) with the average labour productivity of HSBC as a whole, we can calculate an estimate of the profit we would expect in Germany if labour productivity was equal to the average of the group. Comparing the expected figure with the actual reported figure (HSBC's profit in Germany in this case) points to a gap that is called over- or under-reporting.[9]

The discrepancy between the expected profit and the actual reported profit per country shows where profits seem to be over- or under-reported. This could point to the possible shifting of profits from jurisdictions where a lot of economic activity takes place (as indicated by number of employees or turnover) to jurisdictions with less economic activity but with an advantageous tax environment.

The following formulas are used to arrive at these estimates of expected profit for each country:

1. Based on productivity

$$\text{Expected profit (or loss) in country } X =$$

$$\text{Number of employees in country } X * \text{Average labour productivity of bank } Y$$

2. Based on profitability

$\text{Expected profit in country } X$ =

$$\text{Turnover for country } X * \text{Average pretax profit margin of bank } Y$$

Several assumptions underlie these calculations and the conclusions that can be drawn from them:

- Without profit shifting taking place, the amount of profit produced per employee would be similar across countries.
- Without profit shifting taking place, the amount of profit generated per unit of turnover would be similar across countries.

On the basis of these assumptions we thus estimate the amount or profit we would expect a bank to report in a certain jurisdiction if no profit shifting was taking place, and compare this with the actual reported figures of profit. This allows us to see if there are any mismatches between expected and effectively reported figures, and in which countries over- or under-reporting occurs. For example, this indicator shows that – based on the average pre-tax profit margin of the 20 European banks – expected profit would be much lower in Ireland than the actual reported profit. This could be an indication that the banks are shifting profits to Ireland because the country offers certain benefits that makes this shifting worthwhile.

Appendix 2: Challenges in CBCR analysis

CRD IV has been transposed in the national legislation of the seven EU Member states that are home to the 20 banks, which led to varying reporting formats, including across banks from the same country. As a consequence, the analysis is based on data that is sometimes inconsistent, either due to the large margin of interpretation that the directive and/or the national legislation has left to the financial institutions, or because the latter did not fully meet the transparency requirements. There are various limitations regarding the CBCR data used and, accordingly, some problems with the interpretation of CBCR. Also, CBCR data need to be analysed with due precaution. There are various reasons why the figures by themselves might not provide an accurate picture of a bank's operations, taxable profits and tax payments in each country. If possible, one should take into account a number of parameters listed below when interpreting country-by-country data.

For some of the challenges, recommendations are made to improve the CBCR format and facilitate its understanding and interpretation. These recommendations are all the more important in the current discussions taking place at the EU level to extend public CBCR to all multinationals (see page 33).

2.1 An incomplete geographical picture: the need for all countries

Some banks have not reported data for all the jurisdictions in which they operate. They have taken some degree of freedom in deciding which jurisdictions they should report on and how they do this. In other words, there are differences between banks in terms of the way certain jurisdictions are reported. Such reporting practices directly contradict one of the central virtues of CBCR, which is that it is supposed to provide full transparency and a better understanding of all banks' activities. While the EU is currently discussing a public CBCR with a limited geographical scope (see box page 10), this analysis of banks' CBCR proves the importance of having a worldwide reporting that does not leave any country in the dark.

<u>A group of 'other countries'</u>

Five of the 20 banks (Commerzbank, BBVA, HSBC, Barclays and Lloyds) reported a group called 'others', which includes countries where banks supposedly do not have significant enough activities to qualify them for being included in the report. For example, Barclays has a group 'others' that it says includes '*18 countries each with a turnover of less than 20m pounds in 2015'.*[10] Despite an earlier request, Barclays only provided the breakdown of information at a late stage of the research, consequently we were not able to include it, but looking at the list of wholly owned subsidiaries in its 2015 Annual Report, many countries were found that were not taken up in the CBCR report, including the Cayman Islands, where the bank has 65 subsidiaries.[11] On request, Commerzbank provided additional information about their category 'others', which actually included 15 countries, among which 5 were tax havens: Belgium, Ireland, Lichtenstein, Austria, and Switzerland. HSBC also provided additional information, and two tax havens were actually included in the 'others' category: Belgium and the British Virgin Islands. Finally, BBVA indicated in a footnote that the group 'Other' includes the Netherlands and Curaçao.

Since these countries are taken together, one cannot distinguish the profits reported in tax havens from those in non-tax havens, which the group also includes. This seriously contradicts the very purpose of CBCR reporting, which is to get a picture of banks' activities in every country in which they operate. Using this arbitrary way of reporting, we may miss the fact that banks' activities in certain countries are of interest to all the stakeholders, despite limited activities according to the bank.

Also, a few banks lumped together different jurisdictions and provided information as if it was a unique country. RBS has reported 'Channel Islands', Lloyds and HSBC[12] reported 'Channel Islands and the Isle of Man'.

<u>Countries left out of the CBCR</u>

Some banks go beyond grouping some countries together and simply leave out various countries altogether (or do both). For example, RBS has no group 'others', however, a check of their annual report[13] shows that they are active in the following notorious tax havens but do not mention them in their CBCR report: Bermuda (two subsidiaries), Mauritius (two subsidiaries), Panama (two subsidiaries) and British Virgin Islands (four subsidiaries). Looking at the case of RBS, it is unclear on what grounds these countries have been omitted. The CBCR report also includes countries where, for example, only €2.8m in profits and €4.1m in turnover are generated (Norway). Why, for example, would Bermuda be left out of the report, if size is apparently no criterion for RBS?

Recommendation: Banks should report data for every jurisdiction in which they operate, with no threshold.

2.2 Challenges in calculating the tax contribution

The effective tax rate is the average rate at which a corporation's pre-tax profits are taxed, or tax rate actually paid, not the headline statutory nominal tax rate. If the effective tax rate significantly differs from the statutory rate, it is likely that the company benefits from special tax exemptions or a preferential tax regime, or that part of its profits are not taxed in the jurisdiction. In combination with a high profit margin or a high level of profit per employee, this indicates potential profit shifting into a low-tax jurisdiction. However, analysing the data to calculate the banks' tax contributions using their effective tax rate is complex and challenging. This section exposes these challenges.

<u>Lack of precision over tax payments</u>

One of the challenges is that banks present their tax in different ways. UK banks report cash taxes paid instead of (current and deferred) accrued tax charge. Most non-UK banks report one line of 'income tax' for the sum of (i) current taxes (2015 taxable profits) and (ii) deferred taxes (tax paid or refunded in 2015, as adjustments of over- or under-payments in previous years).

When both current and deferred taxes are mixed, there are several ways by which a deferred tax can alter the relation between the amount of tax paid and the profit made during a specific year. The country-by-country data might lead to overestimating actual tax payments if a bank is carrying forward tax charges on current profits, and underestimating actual tax payments if a bank is carrying forward tax credits on current losses. As an illustration, Standard Chartered's global result before tax is a loss of €1,373m. However, the cash corporate tax paid in 2015 amounted to €1,037m.

The only exceptions are four of the five French banks which report current and deferred tax separately, and for which the current effective tax rate was calculated. Data reveal large differences: in 2015 deferred taxes amounted to 37 percent of the total tax charge of Société Générale, but less than 1 percent of the total tax charge of Crédit Mutuel.

The distinction between current and deferred taxes is important to understand the tax charges currently due (current taxes) as opposed to the tax charges that may become due in a later year (deferred taxes).When the CBCR data is available for a longer period of years, this will show whether a bank (or any other company) is actually fulfilling its tax obligations that are related to the profits they generate. This would make the findings less susceptible to large fluctuations that may occur in any given year[14] and remove the anomalies in the current data disclosure that make data between banks and between jurisdictions sometimes hard to compare.

Recommendation: Make a distinction between current and deferred taxes and require explanatory notes for differences between nominal and effective tax rates.

<u>Lack of precision over profits or losses before tax</u>

A further challenge lies in the presentation of profits or losses before tax, and verifying whether tax contributions correspond with what ought to have been paid according to the statutory tax rate. Indeed, profits reported by banks do not necessarily correspond to taxable profits; they may include non-recurring items or extraordinary events that distort the final figure presented in the CBCR. For instance, Deutsche Bank's result before tax comprises €5.2bn in litigation costs paid in 2015 as the outcome of several pending proceedings. This exceptional charge[15] contributed to a loss of €5bn for the German bank in the country-by-country data. Those costs, however, are not tax-deductible, which means they are not taken into account in the tax base, and Deutsche Bank still reported a total tax charge of € 843m in the 2015 country-by-country data despite a negative result. This distorts the effective tax rate.

Nevertheless, even a current effective tax rate is not enough to identify potential tax dodging. For example, if a company reports lower profits in a country, the effective tax rate might seem to be in line with statutory rates, even though the profit may have been artificially lowered – through profit shifting to tax havens – in order to avoid taxes ('conforming tax avoidance').[16]

To interpret the data accurately, more detailed information is needed. A short narrative for each country, such as Barclays provides, can help to interpret the context and country activities. Similarly, other information such as the volume of assets, which ING is the only bank to currently provide in its CBCR, is also essential in measuring the banks' real economic activity in each country.

The value of asset information in CBCR

ING Bank also reports total assets per country. This is a useful measure for the size of commercial banking activities, which involve large loans to corporate clients and are relatively capital intensive. The number of employees is more relevant for retail banking activities, which involve many small loans and are therefore more labour intensive. Compare ING Bank's UK activities focused on commercial banking and its Romanian activities focused on retail banking, for example.

In 2015, profits per employee in the UK (€564,000) were eleven times those in Romania (€49,000). However, the ratio of profits to total assets was higher in Romania (1.7 percent) than in the UK (1.1 percent). Thus, assets per country are helpful to assess the profitability of banking activities per country in a more balanced way.

Recommendation:

Banks should provide in their CBCR data:

- The taxable income before tax clear of exceptional events;
- Detailed contextual information accompanying the financial data;
- The volume of assets.

<u>Distorted profits</u>

In some cases, profit might be attributed to another country. For instance, the Dutch bank ING holds a minority stake in the Thai bank TMB, and ING's share in the profit of TMB is reported as income in the Netherlands, because it was received by a Dutch holding company. The FTEs and tax charge of TMB are not included in the bank's consolidated accounts or country-by-country data, because ING holds a minority stake. ING does include net profits from associates in turnover data, but some other banks do not and report such profits without corresponding turnover.

Similarly, tax charges may be attributed to another country. For example, the Brazil branch of ING bank paid approximately €2m withholding tax in Brazil on intra-group payments to the Netherlands. This tax is borne by the Dutch entity receiving the payments and therefore counts as tax paid by ING's Dutch operations in the country-by-country report. As a consequence, it appears as if ING paid €12m of tax in Brazil, whereas the total tax charge was €14m.

Six banks include intra-group dividends in country-level turnover and profits. This creates a misleading picture of countries receiving large dividends, because it artificially increases profit margins and decreases effective tax rates. As a consequence, the total profits of all banks in their country-by-country reporting (before global eliminations) are €94.2bn, whereas total profits according to their consolidated annual accounts are €83.6bn, a difference of €10.6bn. A few banks also include cost recharges and other intra-group items in country-level turnover. The analysis in this report uses the country-by-country data only (before eliminations). Data inconsistencies are largest for German banks, because the German central bank requires them to include cross-border transactions between subsidiaries in the country-by-country data.
Also, some banks may pay or set aside a portion of profits for non-tax one-off costs. These costs might reduce profit margins.

Recommendation: Banks should report country-by-country data that match with the consolidated accounts, thus excluding intra-group transactions. If a bank wants to report turnover and profits including intra-group items as well, or if a bank is required to do so, it should report country-level turnover and profit figures both including and excluding intra-group transactions for all individual countries where the difference is significant, rather than specifying eliminations at the global level.

Controlled Foreign Company (CFC) rules

The opposite occurs if a bank's parent company pays tax on foreign income under so-called CFC rules. If an Italian bank has a subsidiary in the Cayman Islands, for example, the profits of that subsidiary are not taxed in the Cayman Islands. However, Italy may tax the parent company on those foreign profits, because Italy's CFC rules allow it to do so if certain foreign profits were not taxed abroad. As a consequence, in the country-by-country data, the profits of the subsidiary are included in the data for Cayman, whereas the corresponding tax charge is included in the data for Italy.

Home countries and shared services

Many EU banks report losses or remarkably low profit margins and profits per employee in their home country. Sometimes this is because of special circumstances. For example, HSBC had a loss in the UK in part because of customer compensation for mis-selling of payment protection insurance, and the large loss of Deutsche Bank in Germany partly resulted from litigation costs. There are also cases of apparently normal home country profits, notably Nordea in Sweden, Intesa Sanpaolo in Italy, and Rabobank in the Netherlands. However, the majority of banks reports low or negative results in their home country and this may sometimes relate to shared services centres. If a subsidiary in one country provides shared services to group companies in other countries, such as back office services or risk management, the profit margin included in the charges for these services (so-called cost recharges) can be very small.

2.3 Unprecise information/quality of data

The CRD does not specify some of the concepts used in sufficient details. This leaves the concepts open to interpretation by individual banks, which impedes comparison and understanding of these parameters.

List of subsidiaries

In 2015, only French banks listed all their subsidiaries – and their activity with their country-by-country data in their annual report.[17] In the case of other banks, the full list of subsidiaries is separate from the CBCR. The content of the list itself is also subject to many variations across banks: some indicate the nature of the activity carried out by each entity,[18] while some do not.[19] The German banks,[20] Italian banks[21] and the Dutch bank Rabobank[22] name the exact location (city) where their subsidiary is located. This is key information for corporate transparency to have the full picture of a company's geographical location. It is particularly important when some tax havens are only a city or state as part of a non-tax haven country like Delaware in the United States. (cf. Analysis of banks' subsidiaries in the US and Delaware p. 31).

Nature of activities

The category 'nature of activity' is left open to interpretation by individual banks, which impedes understanding and comparison of these parameters. First, not all banks report on the nature of activities, which makes it difficult to understand and compare their activities in each country. Second, as most banks do not provide the full list of subsidiaries together with their nature of activity, this information is usually limited to the main subsidiaries. The problem is exacerbated by the fact that, even if activities are specified, banks are not required to specify financial performance per activity – only the Italian banks do so. It would provide essential information in terms of, for example, explaining the differences in profitability or labour productivity between countries if banks disclosed the different types of banking activities by country as well as the income, profits, employees and income taxes related to each activity.

Additionally, there is no common typology and some banks use 3 different categories to describe their activities (ING) while others use more than 80 (BPCE).

The lack of information on the nature of activity makes it impossible to reflect the complexity and differences that exist in real labour productivity and profitability across countries and banks. For example, investment banking may be more profitable or take fewer employees than retail banking. If investment banking is heavily concentrated in one country, the expected profits or labour productivity might indeed be higher than in a country where retail banking is the main source of profits. To gain more precise calculations that would take these differences into account, more data is required. This includes data on financial performance per type of activity, or even per subsidiary. This is a limitation of the current CBCR format.

Recommendations:

- Define a standard list of activities across the EU.
- Report the type of activity for each subsidiary.
- Relate financial data to the different activities carried out in a country.

<u>Subsidies</u>

According to the Oxford Dictionary Online, a subsidy is ‘a sum of money granted by the state or a public body in order to help an industry or business keep the price of a commodity low’.[23] As the directive remained vague on the exact content of this reporting item, banks seem to have chosen the narrowest interpretation of this term. Only three of them declared a public subsidy: Standard Chartered (€1.8m in China), ING (€3m in France) and UniCredit (€5.7bn in Austria[24]). Yet, banks do benefit from state’s aid and taxpayers’ money under the form of indirect tax credits. In France, for instance, both French and foreign banks benefit from two tax credits – Crédit d’Impôt Recherche (CIR) and Crédit d’Impôt Compétitivité Emploi (CICE) – implemented to foster employment, competitiveness and R&D.[25] In 2015, BNP Paribas, Société Générale and BPCE together benefitted from €192m[26] in CICE only. There is, however, no mention of these credits under the ‘subsidies’ heading of their reporting in France. Worse, the other banks do not even mention the amount of money they are granted from CICE, and none report the sum of CIR they have received. The lack of information regarding the amount these exemptions are used is even more problematic given that their effectiveness is far from proven and companies seem to experience a deadweight effect,[27] as they are not kept accountable for results in return.

Recommendation: Report all forms of state aid received (such as loans, tax credits, gifts, exemptions)

Access to the data and data use

Public CBCR is hard to work with for several reasons. First, the information is scattered throughout the banks' annual reports or ad hoc appendixes and corporate websites. As hundreds of financial institutions, headquartered both in and outside the EU, disclose a CBCR, data collection is hampered by this dispersion. Second, CBCR are published in PDF format. Manual data entry is lengthy and leads to potential mistakes. Third, as there is no common template, there is clear lack of harmonization between banks and countries. As a result, all banks, including those headquartered in the same country, use their own format to report their information, making comparisons harder. Overall, the amount of work required to access and process the data questions the initial purpose of public reporting: it was intended to allow everyone, the public, MPs or any interested stakeholder, to understand more clearly what banks are doing and the tax they pay in each country in which they operate.

Recommendation:

- Require publications to follow the six principles stated in the G8 Open Data Charter:[28] 'open, timely and comprehensive, accessible and usable, comparable and interoperable, for improved governance and citizen engagement, for inclusive development and innovation'.
- All of the publications should be made according to the same template and centralized on a common register.

Appendix 3: Glossary

Asset: An economic asset is any tangible or intangible item that has economic value held by an individual or company. An asset has a 'real' value, from which its owner can expect future economic advantage.

Asset Management: Also known as portfolio management. This consists of managing capital or funds supplied by investors to produce profits and record the value-added over a longer or shorter period by investing in financial markets.

Base erosion and profit shifting: This term is used to describe the shifting of taxable income out of countries where the income was earned, usually to zero- or low-tax countries, which results in 'erosion' of the tax base of the countries affected, and therefore reduces their revenues (see also below under 'transfer mispricing').

Capital ratio, own funds ratio: A capital ratio is a threshold below which a bank risks insolvency. This ratio is calculated by comparing a bank's liabilities (the amount it has loaned on a credit for example) with its own funds (the capital provided by shareholders and the bank's earnings). The own funds requirements specified in the Basel III agreement, and incorporated in the EU under CRD IV are intended to protect financial institutions from the danger of defaulting on their creditors.

Controlled Foreign Company (CFC) rules: CFC rules allow countries to limit profit shifting by multinational corporations by requesting that the company reports on profits made in other jurisdictions where it 'controls' another corporate structure. There are many different types of CFC rules with different definitions regarding which kind of jurisdictions and incomes are covered.

Corporate and investment banks: They represent a category of banks operating in financial markets and mainly serving major investors and companies. Their activities focus on financing their customers and their operations (corporate banking), issuing shares and bonds on the primary market, buying and selling financial instruments (shares, bonds, derivatives etc) on the secondary market and consultancy for mergers and acquisitions.

Effective tax rate/implicit tax rate: The effective or implicit tax rate is the rate companies actually pay. This may be below the nominal rate due to tax rulings (see below) but also due to deductions for tax paid abroad.

Employee: The term employee in this report means staff, expressed in full-time equivalent.

Holding company: These are companies whose only purpose is to hold the shares of other companies. Holding companies don't produce anything themselves, but 'harvest' the production revenues produced by subsidiaries or shareholdings.

Luxleaks: The Luxleaks (or Luxembourg Leaks) scandal broke in November 2014 when the International Consortium of Investigative Journalists (ICIJ) published hundreds of tax rulings granted to multinationals by Luxembourg, permitting them to reduce significantly the tax they paid. The information was disclosed by Antoine Deltour and Raphaël Halet, ex-employees of PricewaterhouseCoopers (PwC), who were the auditors that helped the multinationals obtain these rulings. The Luxleaks tax rulings revealed how hundreds of multinationals used Luxembourg's tax system to reduce their tax, sometimes down to less than 1 percent.

Net banking income: Net banking income refers to the added value created by banking. It corresponds to the difference between a bank's operating income (interest and commission) and expenses (interest and commission) before interest on bad debts, but includes allocations for and reversal of provisions for depreciation in securities.

Offshore territory/offshore jurisdiction: These jurisdictions are famous for their low taxation. They specialize in providing professional and commercial services to non-resident individuals and companies and investment in offshore funds. Often they are linked to a certain lack of transparency. The term 'offshore' can be used as a synonym for tax haven or secrecy jurisdiction.

Profit shifting: See 'Base erosion and profit shifting'.

Public country-by-country-reporting (CBCR): Public CBCR is a measure requiring multinationals to provide information on their economic activity and the tax they pay. In the case of European banks, the following information is required:

a) The names of their establishments and the nature of their activities;
b) Their turnover;
c) Their total employment (full time equivalent);
d) Their profit or loss before tax;
e) The amount of tax due on their establishments' earnings;
f) Public subsidies received.

Retail bank: Retail banks offer investment solutions, provide credit and sell their services to individuals, organizations and small and medium-sized enterprises.

Scope of consolidation: The scope of consolidation corresponds to those entities that contribute to the consolidated balance sheet of the company. The comprehensive income is derived from the consolidated profits of each of these entities. The scope of consolidation should include the companies that the parent company owns outright or in partnership (by holding at least half of the shares) or in which it has a sizeable stake (presumed to be at least a fifth of the shares). Nevertheless, the International Financial Reporting Standard allows for exceptions. Banks may, for example, decide that below a certain threshold (balance sheet, turnover or staff), certain subsidiaries are 'not significant' and therefore not consolidated, meaning that they do not appear in the reporting. For example BNP Paribas raised its consolidation thresholds in 2011.[29] This explains why BNPP went from 1409 entities (360 of which were in tax havens) in 2011 to 870 (214 of which were in tax havens) in 2012.

Securitization: Securitization is a financial technique developed by financial engineering. It consists of transforming assets into tradable securities that are then sold to investors. The special value of securitization is that it transforms credits, usually medium- or long-term credits into market products, with the market providing the cash flow for these products. Securitization improves the appearance of balance sheets and transfers the debt holder's risk to the financial markets.

Special purpose vehicle: Special purpose vehicles are entities which are usually established in offshore territories to carry out securitization activities, highly leveraged, risky investments or project financing.

Statutory tax rate/nominal tax rate: The statutory or nominal tax rate is the rate set by tax authorities.

Subsidiary: The generic term, 'subsidiary', (the equivalent of the term 'establishment' used in legislation) is used in this report to describe entities included in the scope of consolidation that banks are required to disclose, in addition to information more strictly related to CBCR. Where the lists of subsidiaries in the scope of consolidation and CBCR do not match, we have used the former to count entities in each territory. In addition, we took account of subsidiaries that were included or excluded from the scope of consolidation in 2014 and were therefore active during the year being examined.

Swissleaks: The Swissleaks scandal broke in 2015 when the ICIJ leaked 60,000 files containing the identity of over 100,000 HSBC customers in Switzerland. The information was obtained from Hervé Falciani, a former IT specialist employed by the bank. This data showed, inter alia, how HSBC helped customers to create secret bank accounts in which to hide their money and cheat tax authorities across the world; also helping those involved in arms smuggling, blood diamonds or corruption to hide their illegally acquired assets.

Tax avoidance: Technically legal activity that results in the minimization of tax payments.

Tax evasion: Illegal activity that results in not paying or under-paying taxes.

Tax, regulatory and legal havens: See Appendix 1.2

Tax ruling: A tax ruling is a written interpretation of the law issued by a tax authority to a taxpayer. These rulings are, potentially, legally binding. Rulings are regularly used by companies, as taxpayers, and many of them cause no concern. However some tax rulings have attracted attention and increasing criticism, as shown in the Luxleaks scandal: those known as Advance Pricing Agreements (APA). APAs are used by multinationals to validate their transfer pricing mechanisms, thus providing legal endorsement of their tax avoidance. Documents leaked in the Luxleaks scandal were APAs.

Transfer mispricing: This is where different subsidiaries of the same multinational corporation buy and sell goods and services between themselves at manipulated prices with the intention of shifting profits into low tax jurisdictions. Trades between subsidiaries of the same multinational are supposed to take place 'at arm's-length', i.e. based on prices on the open market. Market prices can be difficult to quantify, however, particularly with respect to the sale of intangible assets such as services or intellectual property rights.

Transparency: Transparency is a method to ensure public accountability by providing public insight into matters that are, or can be, of public interest.

Turnover: The term 'turnover' is used in this report as a simplification for net banking income, which is the equivalent of the turnover for the banking sector. It equates to the added value created by its activity. Turnover represents the amount of business (before tax) carried out by the company in its ordinary day-to-day operations. It equates to the total sales of goods, manufactured products, services and earnings from related activities. The turnover indicates the volume of business generated by the company and gives an idea of its size.

[1] Relbanks. *Top European Banks* (assets 2015). http://www.relbanks.com/top-european-banks/assets. The top 20 banks according to Relbanks include two banks in Switzerland. Because Switzerland is not part of the EU, these have been excluded from the research. German KfW Group is a state-owned bank that fulfills a public interest mission and has a particular status, to the exception of one of its subsidiaries, KfW IPEX. KfW IPEX is a legally and financially independent entity competing with commercial banks and therefore subject to the same banking regulation, including public country-by-country reporting. This research takes into account KfW IPEX's activities only.

[2] The CBCR reports of the 20 banks are available at:
HSBC (2016). *The Capital Requirements (Country-by-Country Reporting) Regulation 2013.* http://www.hsbc.com/~/media/hsbc-com/investorrelationsassets/financial-and-regulatory-reports/the-capital-requirements-country-by-country
Barclays (2016). *Barclays Tax – Our 2015 country snapshot*. https://www.home.barclays /content/dam/barclayspublic/docs/InvestorRelations/AnnualReport s/AR2015/Barclays%20PLC%20Country%20by%20Country%20Report%202015.pdf
RBS (2016). *RBSG Country by Country Tax Breakdown.* http://www.rbs.com/content/dam/rbs/Documents/Sustainability/2015docs/Country_by_Country.pdf
Lloyds (2015. *Lloyds Banking group. Year ended 31 December 2014.* http://www.lloydsbankinggroup.com/globalassets/documents/investors/2015/2014_crdiv_country_by_country_disclosures.pdf
Standard Chartered. *Country by country disclosure. Year ended 31 December 2015.* http://files.shareholder.com/downloads/STANCHAR/3723809396x0x766075/b44e7a9c-47ec-4cae-935a-842fda75daa8/FINAL_Country_by_Country_Website_Disclosure_Year_Ended_31_December_2013.pdf
BNP Paribas (2016). *Registration document and annual financial report 2015*, p.518. https://invest.bnpparibas.com/sites/default/files/documents/ddr2015eng.pdf
Crédit Agricole Group (2016). *Financial statements 2015 – Update A01 of the 2015 registration document*, pp.202–3. https://www.credit-agricole.com/en/content/download/103278/1746426/version/10/file/CAG_ACTU_2015_DRF_VA_VMEL.pdfSociété Générale (2016). *2016 registration document, annual financial report 2015*, pp.60–2. https://www.societegenerale.com/sites/default/files/ddr-2016-depot-amf-11032016-uk.pdf
BPCE (2016). *Registration document and full-year financial report 2015*, pp.316–7. http://www.groupebpce.fr/en/content/download/13479/248972/version/2/file/2015%20Registration%20document.pdf
Crédit Mutuel-CIC (2016). *Rapport financier 2015*, p. 60 [in French only] https://www.creditmutuel.fr/groupecm /fr/images/fichier_pdf/rapport_annuel/2015/rapport_annuel_financier_2015_CM.pdf
Deutsche Bank (2016). *Annual report 2015*, pp.386–7. https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2015.pdf
Commerzbank AG (2016). *Annual report 2015*, p.295. https://www.commerzbank.com/media/en/aktionaere/haupt/2016_5/geschaeftsbericht_2015.pdf
IPEX (2016). *Annual report 2015*, p.89. https://www.kfw-ipex-bank.de/PDF/Presse/Download-Center/2016-05-03_KfW_IPEX-Bank_AR2015.pdf
ING Bank(2016). *ING Bank annual report 2015*, p. 92–3. https://www.ing.com/web/file?uuid=673d79ba-b4d5-4534-bc5e-3c20f9bfe8a1&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=36990
Rabobank (2016). *Annual report 2015*, pp.214–6. https://www.rabobank.com/en/images/rabobank-annual-report-2015.pdf
UniCredit (2016). *Country by Country Reporting: Art. 89 CRD IV, as at December 31, 2015*. https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/financial-reports/2015/4Q15/CbC_Disclosure_Dec_31_2015.pdf
Intesa Sanpaolo (2016). *Country-by-country report – data as at 31/12/2015.* http://www.group.intesasanpaolo.com/scriptIsir0/si09/contentData/view/20160316_Country_by_Contry_Report_(data%20on%2031%2012%202015)_uk.pdf?id=CNT-05-0000000426C79&ct=application/pdf
Santander (2016). *Auditor's report and annual consolidated accounts 2015, Appendices, VI*, p.225-7 http://www.santanderannualreport.com/2015/sites/default/files/informe-auditorias-appendices-ing-acce_1.pdf
BBVA (2016). Consolidated financial statements *APPENDIX XIV Information in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014*http://accionistaseinversores.bbva.com/TLBB/micros/bbva2015/en/C/a14.html

Nordea (2016). *Nordea annual report*, p.162. http://www.nordea.com/Images/33-102773/2015-12-31_Annual-Report-2015-Nordea-Bank-AB_EN.pdf

[3] *Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, Article 89 Country-by-country reporting*. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0036

[4] The 2015 data for Lloyds show some differences to the 2014 data, including, for instance, lower profits recorded in Jersey (£54m down from £74m in 2014).
[5] Average exchange rate retrieved from: https://www.ofx.com/en-au/exchange-rates
[6] OpenCorporates. https://opencorporates.com/. The authors of the report are grateful to the OpenCorporates team who provided full acess to their database as well as technical support throughout the research.
[7] Rick Bell (2014). *Delaware LLC Privacy : What's on public record? DelawareInc.com*, 14 October 2014. https://www.delawareinc.com/blog/what-is-on-public-records-delaware/
[8] For more information, see I. Römgens and T. Steinweg (2016). *Research Methodology: Calculating the effective tax rates of large Dutch companies and identifying tax avoidance.* https://www.somo.nl/nl/research-methodology/
[9] This method is derived from (but not exactly the same as) a method explained by Richard Murphy in R Murphy (2015). *European Banks' Country-by-Country Reporting: A review of CRD IV data.* http://www.taxresearch.org.uk/Documents/CRDivCBCR2015.pdf
[10] Barclays (2015). Barclays is reducing the threshold for countries in the 'Other' category in 2016, leading to more jurisdictions being named in the full table. It is also publishing the full list of relevant jurisdictions covered by the 'Other' category.
[11] Barclays, '2015 annual report', pp. 341-347"
[12] HSBC provided the breakdown of activities between Alderney, Guernsey, Jersey and the Isle of Man upon request.
[13] RBS (2015). *2015 annual report*, pp. 365–71.
[14] See also I. Römgens and T. Steinweg (2016). *Research Methodology: Calculating the effective tax rates of large Dutch companies and identifying tax avoidance,* p.10. https://www.somo.nl/nl/research-methodology/
[15] Deutsche Bank (2015). *Annual report 2015*, p.4.
https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2015.pdf
[16] M. Hanlon and S. Heisman (2010). *A review of tax research*. *Journal of Accounting and Economics,* vol. 50, p.141.
[17] BNP Paribas, op.cit, pp.365–71.
Crédit Agricole, op.cit., pp.203–11.
Société Générale, op.cit. pp. 367–83.
BPCE, op.cit., pp.318–325.
Crédit Mutuel, op.cit. pp. 51–9.
[18] For example:
RBS (2015). *Annual report 2015*, pp. 365–71.
http://www.investors.rbs.com/~/media/Files/R/RBS-IR/results-center/annual-report-2015.pdf
Santander (2015). *Annual report 2015*, pp.298–326.
http://www.santanderannualreport.com/2015/sites/default/files/informe_anual_eng_acce.pdf
[19] HSBC (2015). *Annual report and accounts 2015*, pp.457–69.
http://www.hsbc.com/~/media/hsbc-com/investorrelationsassets/hsbc-results/2015/annual-results/hsbc-holdings-plc/hsbc-holdings-plc-annual-report-and-accounts-2015
Barclays (2015). *Annual report 2015*, pp.341–7.
https://www.home.barclays/content/dam/barclayspublic/docs/InvestorRelations/AnnualReports/AR2015/Barclays_PLC_Annual_Report_%202015.pdf
Lloyds (2015). *Annual report 2015*. pp.299–307.
http://www.lloydsbankinggroup.com/globalassets/our-group/responsible-business-2016/download-centre/2015_lbg_annual_report_v3.pdf Standard Chartered, Annual report 2015. pp.317-325
Standard Chartered (2015). *Annual report 2015*. https://www.sc.com/en/resources/global-en/pdf/annual_reports/annual_report_2015_full_report.pdf
Nordea (2015). *Annual report 2015,* pp.134–5.
http://www.nordea.com/Images/37-102773/2015-12-31_Annual-Report-2015-Nordea-Bank-AB_EN.pdf
[20] Deutsche Bank, op.cit. pp.388–414.
Commerzbank, op.cit. pp.296–324.
KfW-IPEX, op.cit. pp.185-90.
[21] UniCredit (2015). Annual report 2015. pp.99–145.
https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/financial-reports/2015/4Q15/UniCredit-SpA-2015-Reports-and-Accounts.pdf
Intesa Sanpaolo (2015). *Annual report 2015*, pp.159–63.
http://www.group.intesasanpaolo.com/scriptIsir0/si09/contentData/view/content-ref?id=CNT-05-0000000450EBF
[22] Rabobank, op.cit. pp.391–403.
[23] English Oxford Living Dictionaries. Definition of 'subsidy'. Accessed 24 January 2017, from https://en.oxforddictionaries.com/definition/subsidy
[24] A footnote in UniCredit's CBCR document indicates: 'The amount presented in Austria represents mainly guarantees given by the City of Vienna in favor of UniCredit Bank Austria Ag for selected items (the main ones being 'employees post-retirement benefits' and 'subordinated bonds issued').
[25] Crédit d'impôt compétitivité emploi (CICE) – a tax cut for competitiveness and employment – € 15bn in 2015. G. de Calignon (2016). *CICE : ce que les entreprises ont vraiment touché*, 28 September 2016, https://business.lesechos.fr/entrepreneurs/juridique/0211333147114-cice-ce-que-les-entreprises-ont-vraiment-touche-300374.php

[26] BNP Paribas: € 36m. BNP Paribas (2015). *2015 Annual Report*, p.423.
BPCE: €102m. BPCE (2015). *2015 Annual Report*, p.289.
Société Générale: €54m. Information provided after Oxfam's request.
The information could not be found for Crédit Agricole and Crédit Mutuel, and they did not wish to provide it.
[27] We refer in particular to the reports by Sciences en Marche and Brigitte Gonthier-Maurin for CIR, and the interim report by the Syndicat national de la banque (national banking union)(SNB/CFECGC) on the use of CICE.
See: Sciences en Marche (2015). *CIR et R&D : Efficacité du dispositif depuis la réforme depuis 2008*, p.21.
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[28] G8 (2013). *International Open Data Charter*, July 2013. http://opendatacharter.net/wp-content/uploads/2015/10/opendatacharter-charter_F.pdf