



**International Chamber of Commerce**

*The world business organization*

## **Policy statement**

### **Restrictions on the outsourcing of accounting and book-keeping activities**

Commission on Taxation, 4 October 1999

#### **French version**

ICC is the world business organization, bringing together over seven thousand companies and business organizations in over 130 countries. Supporting open trade and free movement of capital, ICC opposes protectionism and distortion of competition by means of taxation and supports international cooperation to create a fair and unbiased system governing international tax relations.

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The present economic climate increasingly forces multinational enterprises to outsource their accounting activities to achieve optimum quality at competitive cost. The outsourcing of such activities across borders should not be prevented or restricted, provided that the accounts can be made available to the (tax) authorities in a satisfactory manner.

#### **Background**

Multinational enterprises are confronted today with an increasingly challenging economic environment. Aspects like the EMU (European Monetary Union), competition in and from emerging markets, improved communication and distribution channels, advances in information technology and many others, force the enterprises into new ways of organizing their work, while continuing the search for reduced cost and improved service.

The strategic response to these growing challenges is the outsourcing and centralization of services in order to significantly leverage economies of scale and scope, to increase the accuracy and quality of information and to enhance learning competencies and know how through increased co-operation, communication and diversity within a company.

Third party or intra-group service providers take on many different activities in (shared) service centers. The functional scope of these (shared) services centers covers the full range from marketing and pricing to accounting and to supply and distribution functions.

Finance-related functions are usually well to the fore. In this area, most activities performed relate to accounting with the most important being accounts payable, accounts receivable, general ledger, cash management, management reporting, information technology management and sales activities.

This statement focuses on the accounting/book-keeping activities. With regard to these activities a significant number of countries does not allow outsourcing (or imposes severe conditions) while others seem to allow this without material obstacles.

The motive for governments/fiscal authorities to prohibit or restrict cross border outsourcing of accounting activities appears to stem from the fact that a company's accounts are not immediately and physically available if they are being maintained by a service centre in another country. For instance, direct seizure of a company's accounts in case of suspicion of fraud/crime etc. would not be possible. However, one should consider that such severe measures are only necessary and appropriate in exceptional cases. The vast majority of cases concerns bonafide businesses which should be allowed

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to benefit economically from cross border outsourcing possibilities (as already available to taxpayers within the same country as the service provider).

**Document 180/440**

4 October 1999