International Chamber of Commerce
The world business organization

The Secretary General

Anton Siluanov
Minister of Finance
Ministry of Finance of the Russian Federation
9, Ilyinka Street
Moscow 109097
Russia

Paris, 6 June 2013

Subject: ICC proposal to improve global tax regime

Dear Mr Siluanov,

In light of the recent public criticism of a number of multinationals' tax planning methodologies, ICC, as the world business organization working with experts in the ICC Commission on Taxation, believes it is vital to reiterate several key principles to policy-makers as they design national, global and regional tax regimes.

ICC strongly opposes tax fraud and tax evasion; such behavior must not be tolerated and companies who engage in this type of deception should be criminally pursued, up to the company board level if necessary.

However, it is crucial to distinguish between these fraudulent practices and the use of lawful methods such as tax planning and tax optimization, which are justifiable and fully sanctioned by law. With regards to tax planning, companies should disclose all relevant information to revenue agencies and fully cooperate with them in order to ensure smooth and effective decision making.

Recent concerns expressed by several countries on the importance of "securing their revenue bases" (quote from G20 meeting in February 2013 in Moscow) are understandable, however, as tax planning is legal, this responsibility falls on national governments who, working collectively, should agree on where and how profits are to be taxed and amend their rules accordingly. Governments need to clarify both the letter and intention of the law for business to be able to fully comply.

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Globalization means that companies are increasingly struggling to allocate profits to countries where they do business.

The reality is that countries have to accept that they are competing with each other for foreign direct investments and that tax rules are an important factor in this. Only via greater cooperation among countries and with the global business community can policy makers achieve a balanced and effective tax system for global business.

An approach to eliminate undesired types of tax planning is for governments to globally embrace the concept of cooperative compliance with joint audits[1] by all countries. This will stop double taxation of business and will address all profits. While the methodology for joint audits is still in its infancy, corporate cooperative compliance has been endorsed by many countries since 2008 and should be fully embraced by governments around the world.

It is important to note that already in the 1920-s, ICC proposed a taxable profit split as a default for all countries around the world for allocation issues arising between source and residence countries. This proposal is aligned with the recent suggestions by policy-makers to tax profits only in countries where activities have been conducted.

That is why ICC has started a global project to review the current predicaments faced by both countries and business. ICC will be working with business experts and will invite policy-makers to collaborate in developing a widely embraced global tax regime that has the potential of developing a solution which can be broadly embraced in the public and private worlds and will help drive economic growth and job creation.

Yours sincerely,

Jean-Guy Carrier

[1] In this context a joint audit is an audit by two or more countries reviewing tax returns of companies belonging to the same global enterprise in their countries and agreeing how profits should be allocated between them based on the existing tax rules.