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FAO: Technical Director
International Accounting Standards Board
First Floor
30 Cannon Street
London, EC4M 6XH
United Kingdom

29th September 2008

Dear Sir / Madam

Exposure Draft of an Improved Conceptual Framework for Financial Reporting – comments from Christian Aid

We write to submit comment on the above exposure draft issued by the International Accounting Standards Board (IASB) in May 2008.

Christian Aid is the UK's leading international grant-making development NGO, with almost 100,000 campaigners and hundreds of thousands of supporters based in churches and communities across Britain and Ireland. We work to expose the scandal of poverty, to help in practical ways to root it out from the world, and to challenge and change the systems which favour the rich and powerful over the poor and marginalised.

One of our major concerns is to support the creation of effective taxation systems in poorer countries, recognising that tax is the only sustainable form of development finance in the long term, and hence is crucial to building states that can deliver poverty eradication for their citizens. In addition, the evidence shows that tax is fundamental to the relationship between states and citizens, in promoting both good governance in the fight against corruption, and stronger channels of political representation.

Fundamental to effective systems of taxation is transparency. We estimate that developing countries lose revenues of around \$160 billion each year, through trade-related tax evasion – more than one and half times the value of aid receipts. For this reason, the South African finance minister Trevor Manuel said in January this year:

"It is a contradiction [for rich countries] to support increased development assistance, yet turn a blind eye to actions by multinationals and others that undermine the tax base of a developing country... Smaller, poorer countries with

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Christian Aid works with the world's poorest people in more than 50 countries, regardless of race or faith. We tackle the causes and consequences of poverty and injustice. We are part of ACT International, the ecumenical relief network.

UK registered charity no 1105851 Republic of Ireland charity no CHY 6998
Christian Aid is a company limited by guarantee, registered in England and Wales,
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tax administrations that are less sophisticated cannot be expected to develop the expertise required to unravel the complex structures that multinationals and other large companies put in place to minimise tax."

We believe that the exposure draft you have issued will have significant impact upon the availability of information that developing countries' tax administrations need in order to be able to take steps to make their tax systems effective. It will also affect the work of civil society groups in those countries, and international NGOs like Christian Aid, in attempting to estimate the scale of the problem and draw attention to abuse.

One of our partners, the Tax Justice Network has submitted a substantial and detailed comment on the exposure draft. We fully support their stance, and commend it to you. We will not add further specific comment, except to highlight our major concerns by responding directly to one of the questions that the exposure draft poses.

Chapter 1, question 2: The boards decided to identify present and potential capital providers as the primary user group for general purpose financial reporting. Do you agree with the boards' conclusion and the basis for it? If not, why?

We feel strongly that primary users should not be restricted to investors alone. On a general point, it is abundantly clear from the current financial crisis that a lack of transparency about the true ownership and valuation of assets and liabilities has not only had profound implications for investors, but for governments and the general population also.

The more specific point of concern for us is that international accounting standards are the best, perhaps only tool, to ensure that the tax authorities in developing countries can obtain information about the full scope of corporate activity of those multinational businesses operating in their countries – and only by doing this may they be able to move towards more effective taxation of these businesses, to ensure that they pay the right amount of tax in the right place and at the right time.

Civil society organisations, including many of our partners in developing countries, also have an important need for transparency on this issue as they seek to hold governments to account for taxation policy decisions.

We therefore request that the IASB recognise the needs of these other stakeholders, and on that basis lead a move towards an international accounting

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standard which requires reporting on a **country-by-country basis**, such as the European Parliament has recently called for.

We are grateful for the opportunity to comment on the exposure draft, and would be pleased to discuss these issues further. We provide explicit consent for these comments to be made public.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Daleep Mukarji".

Daleep Mukarji
Director, Christian Aid

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