European Commission - Press release

# European Commission proposes public tax transparency rules for multinationals

Strasbourg, 12 April 2016

**The Commission is today leading the way towards greater corporate tax transparency by introducing public reporting requirements for the largest companies operating in the EU.**

[Message by Jonathan Hill on the occasion of the forthcoming Country-by-Country-Reporting proposal]

Today's proposal builds on the Commission's work to tackle corporate tax avoidance in Europe, estimated to cost EU countries EUR 50-70 billion a year in lost tax revenues. Supplementing other proposals to introduce sharing of information between tax authorities, it would require multinationals operating in the EU with global revenues exceeding EUR 750 million a year to publish key information on where they make their profits and where they pay their tax in the EU on a country-by-country basis. The same rules would apply to non-European multinationals doing business in Europe. In addition, companies would have to publish an aggregate figure for total taxes paid outside the EU.

This proposal is a simple, proportionate way to increase large multinationals' accountability on tax matters without damaging their competitiveness. It will apply to thousands of large firms operating in the EU, without affecting small and medium-sized companies.

The proposal also provides for stronger transparency requirements for companies' activities in countries which do not observe international standards for good governance in the area of taxation. The Commission will build on its External Tax Strategy with the aim of establishing the first common EU list of such tax jurisdictions as rapidly as possible.

Vice-President **Valdis Dombrovskis**, responsible for the Euro and Social Dialogue said: "*The fight against tax avoidance is a key priority of this Commission. Close cooperation between tax authorities must go hand in hand with public transparency. Today, we are making information on income taxes paid by multinational groups readily available to the public, without imposing new burdens for SMEs and with due respect for business secrets. By adopting this proposal, Europe is demonstrating its leadership in the fight against tax avoidance".*

Commissioner **Jonathan Hill** said: *"Our economies and societies depend on a tax system that's fair, a principle that applies both to individuals and to business. Yet today, by using complicated tax arrangements, some multinationals can pay nearly a third less tax than companies that only operate in one country. Our proposal to increase transparency will help make companies more accountable. It will promote fairer competition between companies regardless of their size".*

Today's proposal will amend the Accounting Directive (Directive 2013/34/EU) to ensure that large groups publish annually a report disclosing the profit and the tax accrued and paid in each Member State on a country-by-country basis. This information will remain available for five years. Contextual information (turnover, number of employees and nature of activities) will enable an informed analysis and will have to be disclosed for every EU country in which a company is active, as well as for those tax jurisdictions that do not abide by tax good governance standards (so-called tax havens). Aggregate figures will also have to be provided for operations in other tax jurisdictions in the rest of the world. The proposal has been carefully calibrated to ensure that no confidential business information would be published.

Building on and complementing the recent Commission initiatives against tax avoidance (IP/16/159), this mandatory public country-by-country reporting will enable citizens to scrutinise the tax behaviour of multinationals. This will, in turn, encourage companies to pay tax where they make their profit.

This reporting will also support efforts to gain a better insight into Member States' tax systems and help identify existing loopholes and mismatches, thereby shedding more light on the causes and consequences of corporate tax avoidance.

**Background:**

In June 2015, the Commission launched a broad assessment into the impact of potential measures to introduce public reporting requirements on multinationals operating in the EU[1]. This involved an indepth analysis of different policy options, as well as targeted consultations, in order to weigh up the objectives, benefits, risks and safeguards of further transparency on corporate income tax. Today's proposal reflects the outcome of this work.

This proposal is closely linked to the revision of the Administrative Cooperation Directive, politically agreed by EU Member States in March 2016, which requires certain multinational enterprises to submit a CBCR to EU tax authorities. This revision implements the OECD's BEPS Action Plan endorsed by G20 leaders in Antalya in November 2015.

**Next steps:**

This proposal for a Directive is now submitted to the European Parliament and the Council of the EU and the Commission hopes that this will be swiftly adopted in the co-decision process. Once adopted, the new Directive would have to be transposed into national legislation by all EU Member States, within one year after the entry in force.

**More information:**

MEMO on public tax transparency rules for multinationals

Communication on public tax transparency rules for multinationals

Impact assessment for public tax transparency rules for multinationals

Information on the Anti-Tax Avoidance Package

MEMO on the Anti-Tax Avoidance Package

Information on the political agreement on CBCR between tax authorities

[1] http://ec.europa.eu/finance/consultations/2015/further-corporate-tax-transparency/index_en.htm

IP/16/1349

Attachments

CBCR Factsheet FINAL.pdf