Moving towards better corporate accountability through increased tax transparency

Achieving public country-by-country reporting in the European Union

1. Introduction: What is country-by-country reporting?

Companies have legal and ethical obligations to operate honestly. A first step in this regard is by being transparent about their operations. One of the necessary means for companies to prove their commitment to transparency and dialogue with stakeholders is to disclose disaggregated financial information. Often called country-by-country reporting (CBCR), this process refers to publishing key financial data by multinationals for each country they operate in as part of their annual financial statements. This data includes profits, losses, sales and purchases within the corporation, taxes and payments to governments as well as other information for each country of operation.[1] Currently, however, consolidated financial statements are the norm.[2]

The primary purpose of legislation on public CBCR is to increase corporate accountability and transparency by providing citizens with adequate information to assess companies' activities, payments, structures and whereabouts.

As demonstrated by Transparency International's report *Transparency in Corporate Reporting,*[3] companies' structures, activities and financial data are still mostly secretive, as companies tend to disclose them for selected countries only.[4]

As many of the recent corporate scandals have shown, acts of corruption are very often aided by the use of opaque company structures and secrecy jurisdictions. The use of offshore companies and their lack of transparency pose increasing risks for global companies as well as for their shareholders, employees and local communities. Public CBCR can mitigate the risks posed by a lack of transparency by shedding more light on corporate structures and by revealing whether companies are using offshore subsidiaries. At the same time, public CBCR will help to assess whether multinationals' taxes are paid where their economic activities actually take place and where they make profits.

The momentum for public CBCR in the EU is building. Currently, the amendments made by the European Parliament to the Accounting Directive, as part of the review of the Shareholders' Rights Directive,[5] and the European Commission's new legislative proposal published on 12th April 2016,[6] extend public CBCR legislation to companies from all sectors operating in the EU.

2. State of play in the EU

Public CBCR already exists in EU law, namely in the Capital Requirements Directive IV[7] (CRD IV), which obliges credit institutions and investment firms to disclose key financial information on a country-by-country basis. Similarly, EU companies from the extractive and logging sectors are required to disclose information regarding their payments to governments.[8]

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[1] For instance number of employees and staffing costs, taxes paid and tax obligations, and summaries of assets and liabilities.
[2] Transparency International's Anti-Corruption Glossary: http://www.transparency.org/glossary/term/country_by_country_reporting
[3] Transparency International, Transparency in Corporate Reporting: Assessing the Wold´s Largest Companies, 2014: http://www.transparency.org/whatwedo/publican/transparency_in_corporate_reporting_assessing_worlds_largest_companies_2014
[4] Ibid.
[5] Long-term shareholder engagement and corporate governance statement, 2015: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0257+0+DOC+XML+V0//EN
[6] European Commission, Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches, 2016: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016PC0198
[7] Directive 2013/36/EU (Capital Requirement Directive IV): http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=EN
[8] Directive 2013/34/EC (Accounting Directive): http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN; Directive 2013/50/EU (Transparency Directive)http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0050&from=EN

Part of the current regulatory development on public CBCR is due to the Shareholders' Rights Directive (SRD), introduced in 2007 to modernise company law and enhance corporate governance. In July 2015, the European Parliament voted in favour of an array of amendments, including a move to public CBCR for EU multinationals. The SRD is currently under negotiations between the European Commission, Parliament and EU Council, and it appears that the public CBCR provision will be dropped from the draft text due to recent EU legislative developments in this field.

As a matter of fact, on 12th April 2016, the European Commission published its public CBCR legislative proposal. According to this text all EU and non-EU multinational companies operating in the EU through medium and large-sized subsidiaries and branches have to disclose key financial information[9] on a CBC basis.

What it covers: This draft legislation foresees public disclosure of information instead of a mere exchange of information between tax administrations, as well as the inclusion of both EU and non-EU multinationals under its scope. These are the two main strengths of the proposal. It applies to companies with an annual consolidated turnover of €750 million.

What it does not cover: This proposal would require public disclosure on a CBC basis for multinationals' activities only inside the EU and for countries on a yet-to-be-published EU list of tax havens. For the rest of the world, companies would only have to disclose one aggregate figure.

3. Making the case for public disclosure and its benefits

For legislation on CBCR "public" is the name of the game: this is the only way to enable citizens, journalists, policy-makers and institutions to hold their governments and companies operating in their countries accountable, as well as exercise their right to be informed. The primary purpose of legislation on public CBCR is, in fact, to increase corporate accountability and transparency by providing citizens with adequate information to assess companies' activities.

Overall, a CBCR model must go beyond the mere exchange of financial information between tax authorities. Public disclosure will bring an added value, in particular in countries where the risk of corruption is higher, e.g. in a context which makes it more likely for corrupt government officials to strike secret deals with big multinationals. In these cases public CBCR would be useful to shed light on such special arrangements. Public disclosure would also provide help to tax administrations in developing countries that are often not equipped to engage in cumbersome data exchange systems.

Currently, a confidential CBCR model exists in several countries. In October 2015, the Organisation for Economic Cooperation and Development (OECD) finalised its Base Erosion and Profit Shifting Action Plan (BEPS) aimed at reforming the international tax framework and ensuring that profits are reported where economic activities are carried out and value is created. Action 13 of BEPS[10] foresees CBCR between tax administrations. This will require multinationals to provide key financial information annually, in each jurisdiction where they do business. Currently 44 countries, including 20 EU Member States have signed up to it.[11] This measure, however, is directed at tax administrations. In other words, the information will not be made available to the general public.

[9] The disclosure categories include: *a) a brief description of the nature of activities; b) the number of employees; c) the amount of net turnover, which includes the turnover made with related parties; d) the amount of profit or loss before income tax; e) the amount of income tax accrued; f) the amount of income tax paid; g) the amount of accumulated earnings.*

[10] OECD, BEPS Action 13, 2015: http://www.oecd.org/tax/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report-9789264241480-en.htm

[11] Signatories of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports: http://www.oecd.org/tax/automatic-exchange/about-automatic-exchange/CbC-MCAA-Signatories.pdf

Making legislation on CBCR public would bring a basic level of corporate transparency to

a) identify potential cases of corruption while
b) providing a path to tackle harmful tax practices.

Public CBCR would also be a strong deterrent tool for multinational companies to engage in questionable and aggressive tax planning practices, as this would involve the risk of reputational damage. Multinational company public scrutiny will promote the undertaking of beneficial financial actions in terms of asset allocation and ethical and regulatory tax compliance, both for their own benefit and for that of the general public. If companies know that the public is able to scrutinise them, this will affect their decisions and make them re-think how they move money around.[12] Moreover, it would allow national tax authorities in any given country to have a clearer picture of the activities of a multinational in all countries in which it operates.

Public CBCR as a crucial tool in the fight against corruption

The current opacity of multinationals' structures and operations may lead to corruption risks. There have been examples of companies using subsidiaries based in offshore jurisdictions for the purpose of laundering stolen assets. Well documented cases, such as the Piarco International Airport (PIA) Scandal and the Telecommunications D'Haiti (Haiti Teleco) case, have proved how a massive layering of corporate vehicles is a recurrent instrument in the disguise of corruptly acquired assets.[13]

Public CBCR will help raise red flags on potential cases of collusion between corrupt officials or tax authorities and multinationals, in particular in countries where there is a higher risk of regulatory capture. Anomalies in the financial data may show close links to governments that could be an indicator of corruption. At the same time, businesses generate revenues and profits locally and contribute to the public budget through royalties, taxation and the like. Increasing transparency on multinationals' tax payments would allow citizens to hold companies and their governments accountable for their operations and the funds they receive. This information is particularly relevant in countries where misappropriation of public funds is a major problem.

Moreover, following the LuxLeaks revelations[14] and the inquiries by the European Parliament and Commission, we have repeatedly seen cases of multinationals which have obtained sweetheart deals from governments – for instance, colluding with tax authorities under the principle of selectivity to obtain beneficial fiscal treatments as the recently revealed Apple case exposed – avoided billions in taxes and shifted profits and tax payments between countries, often to secrecy jurisdictions. Several of these deals have since been found to be an illegal form of state aid, distorting the market, such as the cases of Starbucks and Fiat in the Netherlands and Luxembourg, respectively,[15] but many more such arrangements might still remain unknown. Had companies already been required to publicly

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[12] Hope, Ole-Kristian and Ma, Mark (Shuai) and Thomas, Wayne B., Tax Avoidance and Geographic Earnings Disclosure (June 25, 2013). Journal of Accounting & Economics (JAE), Forthcoming; Rotman School of Management Working Paper No. 2285110. Available at SSRN: http://ssrn.com/abstract=2285110

[13] Stolen Asset Recovery Initiative (STAR), The Puppet Masters – How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It, 2011: https://star.worldbank.org/star/sites/star/files/puppetmastersv1.pdf. The PIA scandal consisted of corrupt government and company officials colluding in rigged bids for public contracts, the cost of which would then be artificially inflated. In the Haiti Teleco case, three US telecommunication companies paid bribes to Haiti Teleco officials in order to be granted preferential treatment including reduced telecommunication rates and credits toward owed amounts, thus defrauding Haiti Teleco from revenue. In both of these cases, the tactic of moving money between bank accounts belonging to a range of different corporate vehicles, known as layering, was used to disguise the trail of money. Layering separates the illegally obtained funds from the crime by obscuring the trail of money through a complex web of financial transactions. Rather than having the money transfer directly to one of the conspirators, it is being diverted to a company, thus giving it the appearance of legitimacy.

[14] International Consortium of Investigative Journalists, Luxembourg Leaks: Global companies' secrets exposed, November 2014: https://www.icij.org/project/luxembourg-leaks

[15] Transparency International EU, Commission reaching for the Starbucks, October 2015: http://www.transparencyinternational.eu/2015/10/commission-reaching-for-the-starbucks/

report on a CBC basis, anomalies in the data might have indicated that they had enjoyed a special treatment, which other companies did not receive.

Further benefits of reporting

Public CBCR is a simple transparency measure, which has the potential of positive spill-over effects at social and economic levels. In addition to its main objective, legislation on public CBCR may also bring further advantages:

- Fostering investment: Public CBCR may attract more investment, since the risk profile of the company would be lowered with the release of more information compared to competitors not engaged in public CBCR. By having access to more information, shareholders and investors will be better equipped for a more detailed analysis and to make informed investments. As highlighted by several investors' organisations across Europe, "*taxes significantly affect (future) cash flows and therefore investors have to make assumptions to assess taxes to assess the value of an enterprise […] Improved disclosure of tax-related information will enable investors to better understand and model a company's tax position and make better informed investment decisions."*[16] Several members of these organisations are requesting this information already or say that they will be ready to use it.[17]
- Increasing competition: Public CBCR would serve to level the playing field between multinationals and national smaller companies, who often are already obliged to make publicly available the type of information required for CBCR. As such, small and medium enterprises will be in a better position to compete, with a benefit for the whole economic context and for societies, in terms of employment and growth.
- Improving corporate responsibility: Making such data publicly available drives efforts by companies to collect reliable information about intra-company transfers so that these can be reported. Furthermore, knowing that information will be reported, also drives the careful implementation of compliance systems which are being reported on.

Moreover, companies themselves would benefit from increased transparency. Corporate transparency and related reporting demonstrates that companies are acting as responsible corporate citizens that care about their sustainability.[18] Research shows that companies engaged in sustainability reporting significantly outperform their counterparts over the long term, both in terms of stock market and accounting performance.[19]

European Commission's legislative proposal on public CBCR: TI EU's assessment

For the first time, on 12th April 2016, the European Commission published a legislative proposal on public CBCR for all sectors. However, this proposal requires multinationals to publicly disclose their key data on a CBC basis only for their activities inside the EU and for countries that will end up on an EU list of tax havens. For the rest of the world, companies will only have to disclose one aggregate figure.

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[16] Eumedion, Submission to the European Commission's public consultation on corporate tax transparency, September 2015: https://ec.europa.eu/eusurvey/publication/further-corporate-tax-transparency-2015

[17] Eurosif, Position paper on country-by-country reporting, July 2015: http://www.eurosif.org/wp-content/uploads/2015/07/2015-07-15_Eurosif-CBCR-Position-FINAL1.pdf

[18] Transparency International, The benefits of anti-corruption and corporate transparency, April 2016: http://www.transparency.org/whatwedo/publication/working_paper_1_2016_the_benefits_of_anti_corruption_and_corporate_transpar

[19] Carbon Disclosure Project, CDP Global 500 Report 2011, Accelerating Low Carbon Growth, 2011; or Harvard Business School, The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance, Working Paper no. 12-035, 2011.

This means that the limited data that the public will get will not be a useful monitoring tool of companies' operations worldwide. Moreover, citizens of developing countries will not have access to information regarding companies' activities and tax payments in their territories (unless their countries are listed in the EU's tax haven list).

There is also a concrete risk that many tax havens will not be included in the EU's list, as previous attempts have demonstrated that this exercise tends to be a highly politicised one[20] leading to the omission of big tax havens, while only including small countries.[21]

In addition to a geographical limitation, this proposal also limits the number of reporting companies. In fact, only companies with a very high turnover (€750 million) would have to disclose their data, excluding many smaller multinationals engaging in aggressive tax planning.[22]

Finally, the proposal only foresees a limited set of disclosure categories. This will prevent citizens from having access to a full list of subsidiaries, payments to governments and public subsidies received, to name a few.[23]

4. Final Remarks and Recommendations

Transparency International EU believes that the Commission's current legislative proposal fails to deliver meaningful information that would provide real transparency. Only a fraction of multinational companies' tax payments and other finances will be open to scrutiny. This way companies will continue to evade accountability for their financial affairs in most of the world.

Transparency International EU makes the following recommendations to the **European Parliament and the Council of the EU** in terms of: (1) extending public country-by-country reporting legislation and (2) requiring companies to publish lists of all their subsidiaries, joint-ventures and associates regardless of any materiality threshold.

1. <u>Extend EU legislation on public country-by-country reporting (CBCR)</u>

Based on its existing legislation on public CBCR in the banking sector, the EU and its Member States should extend public CBCR to all other sectors of the economy. **This should be done by strongly improving the European Commission's recent proposal as part of the Accounting Directive.**

Legislation passed should:

- Foresee multinational companies' public disclosure of key financial information broken down on a CBC basis **for every country and jurisdiction of operation, both inside and outside the EU**.
- Apply to all multinationals with an annual consolidated **turnover of €40 million** in accordance with the EU's own definition of "large undertakings" included in the Accounting Directive. Both EU companies and non-EU companies that are operating in the EU through subsidiaries of any size should be covered by the directive.

[20] The Guardian, Tories lobbying to protect £30bn island tax haven, January 2016: https://www.theguardian.com/technology/2016/jan/30/google-tory-battle-protect-30bn-tax-haven-bermuda
[21] The Guardian, Tax haven blacklist omits Luxembourg as Brussels announces reform plans, June 2015: https://www.theguardian.com/world/2015/jun/17/luxembourg-tax-haven-blacklist-brussels-european-commission
[22] See the case of Heritage Oil Ltd. at: http://www.transparencyinternational.eu/2016/04/panama-papers-show-the-eu-must-take-action-on-corporate-tax-transparency/
[23] For more details on the European Commission's proposal see a joint civil society organisations' Q&A: http://www.transparencyinternational.eu/wp-content/uploads/2016/07/EC-CBCR-QA-final_branded.pdf

- Include, as a bare minimum, the following reporting requirements: **a) name(s),**[24] **nature of activities and geographical location; b) turnover; c) number of employees on a full-time basis; d) value of assets and annual cost of maintaining those assets; e) sales and purchases; f) profit or loss before tax; g) tax on profit or loss (both accrued and paid); h) public subsidies received; i) list of subsidiaries; j) payments to governments.** This is already to be considered a compromise solution. Each of these elements is meaningful only when disclosed in connection with the other ones.
- Ensure that the data is reported using a **common template** to allow adequate comparability and is available in a **central register in an open data format.**

2. <u>Require companies to publish lists of all their subsidiaries</u>

Most laws and regulations applying to publicly listed companies limit disclosure of holdings to material investments. Although this standard provides a starting point for improved transparency it often results in limited disclosure and can lead to the omission of many group holdings. Where such requirements already exist, they should be expanded and materiality thresholds should be removed, to ensure a complete picture of the company's operations across countries. An exhaustive list of related entities for each multinational company should be publicly available.

This list should include:

- **subsidiaries**
- **affiliates**
- **joint ventures**
- **branches.**

[24] Names of all group's subsidiaries, branches and related entities.

ANNEX

Deconstructing common myths

"Public disclosure of financial information will harm companies' competitiveness"

Companies often argue that public CBCR may harm their competitiveness, as the reporting would also include commercially-sensitive information. However, full public CBCR is already in force in the banking sector and EU banks have not been placed at a competitive disadvantage vis-à-vis their competitors from other regions. In November 2015 and in March 2016, several banks testified before the European Parliament's Special Tax Committee, stressing that public CBCR has not hampered their commercial interests and has not resulted in increased tax disputes.[25]

Moreover, the case of India demonstrates that greater transparency does not automatically translate in lost competitiveness. There, legislation on corporate disclosure of financial information on a subsidiary-by-subsidiary basis has been in place since 1956. This has not had any negative impact on the competitiveness of Indian multinationals. On the contrary, India is considered one of the strongest emerging markets worldwide.[26] In a recently published report, Transparency International EU assessed the impact of public financial disclosure on corporate competitiveness by analysing the performance of 14 European and 14 Indian multinationals. What the research found was that there is no correlation between public disclosure and standard measures of competitiveness, and more specifically that there is no evidence of any negative impact of public CBCR on business performance.[27]

Currently, most small and medium enterprises (SMEs) in the EU are placed at a competitive disadvantage vis-à-vis multinationals. Most of the time, the former are only functioning within borders of one country. These single entity companies are already disclosing the information that multinationals would have to disclose if legislation on public CBCR was adopted. Moreover, in most EU member states the disclosed annual accounts of companies are publicly available through national registries. While single entity companies do not reroute their business activities through foreign subsidiaries, they have fewer opportunities to decrease their effective tax rates with artificial tax arrangements, unlike practices used by some multinational companies.

"The EU does not have the legal competence to mandate the publication of data from multinationals' operations outside of the EU"

First of all, EU law already requires some multinationals, namely those active in the extractive and banking sectors, to publish CBC reports for their operations worldwide, also in third countries. It is unclear why this would be any different for other sectors of the economy.

The main difference between existing EU legislation on public CBCR and the European Commission's new proposal is the inclusion of non-EU headquartered MNCs in the reporting scope. Despite this extraterritorial element, the EU is still in the position to make use of its political leverage to require non-EU multinationals, which wish to do business in the EU market, to publish information about their

[25] European Parliament videos: https://www.youtube.com/watch?v=a1lJCKT4ikl and http://www.europarl.europa.eu/ep-live/en/committees/video?event=20160315-1500-COMMITTEE-TAX2

[26] The subsidiary-by-subsidiary reporting requirement included in the Indian Companies Act obliges Indian multinationals to publicly disclose key financial information, such as revenues, pre-tax profits and tax on profits, for all their subsidiaries. For more information see Transparency International, Transparency in Corporate Reporting – Assessing Emerging Market Multinationals, 2016: http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_emerging_market_multinat

[27] For more information see Transparency International EU's report Do Corporate Claims on Public Disclosure Stack Up? Impact of corporate reporting on competitiveness, July 2016: http://www.transparencyinternational.eu/wp-content/uploads/2016/07/Impact_of_Public_Reporting_V2.pdf

activities. The Fourth Directive on Administrative Cooperation (DAC4) already requires non-EU MNCs to file CBC reports on their operations worldwide to tax administrations.[28]

The United States have already had a similar system in place for several years. In 2010, they adopted their Foreign Account Tax Compliance Act (FATCA), which requires all non-US financial institutions that operate in the US to disclose the identities and data of their American customers based all over the world to the US Departments of the Treasury. Non-compliant institutions are sanctioned with the imposition of a 30% withhold tax.

Moreover, with the extension of the reporting requirement to companies' activities in tax havens outside of the EU, the European Commission proved that there is no legal obstacle for the EU to mandate the disclosure of the same information for third countries. If the EU can require MNCs to publish data regarding a tax haven, then it can also require them to do so with regard to their operations in all other countries.

"Public CBCR legislation will violate the OECD BEPS agreement"

Action 13 of the OECD's BEPS Action Plan proposes CBCR between tax administrations. Currently 44 countries, including 20 EU Member States have signed up to it. However, signatories agreed to very strict confidentiality clauses regarding the information they receive from other jurisdictions. Concerns have been raised about EU legislation on public CBCR allegedly violating the confidentiality agreement in BEPS.

However, the Commission's public CBCR proposal does not require EU Member States to publish anything. They would continue sharing the information confidentially among tax administrations. The proposal only requires multinationals to directly publish their own information.

Moreover, it is important to highlight that the OECD's guidelines do not constitute international law and are to be considered minimum standards that do not prevent the EU from going further.

"Ordinary citizens will misinterpret the data"

There seems to be a general misconception that it is better to "keep the general public out"[29] of corporate tax affairs, as these issues are supposedly too technical and, therefore, have to be left to the experts. Allegedly, ordinary citizens would misinterpret the data if they were to be made public.

However, the Commission's proposal requires companies to add an overall narrative to their CBC reports, which will help them to provide explanations on any discrepancy between the amounts disclosed.[30] Moreover, as stressed in a recent article by a partner at PricewaterhouseCoopers Netherlands, companies' complicated structures are not a good reason not to be transparent. Instead, multinationals should avoid 'unexplainable' structures.[31]

"It will be a huge administrative burden and an extra cost for companies"

The costs associated with public CBCR are almost insignificant for big multinationals. According to a research on public CBCR undertaken by Her Majesty Revenue & Customs (HMRC) in the UK, one-off

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[28] Directive 2016/881 (DAC4): http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0881&from=EN
[29] Business Europe's position paper on the European Commission's proposal on public CBCR, July 2016: https://www.businesseurope.eu/sites/buseur/files/media/position_papers/ecofin/2016-07-06_cbcr_position_paper.pdf
[30] Article 48c (4) of the European Commission's proposal.
[31] 11 reasons for tax transparency: https://www.ifac.org/global-knowledge-gateway/business-reporting/discussion/11-reasons-be-transparent-tax

costs are estimated negligible, with annual costs to businesses affected by the measure of £200.000.[32] In its impact-assessment, the European Commission estimated CBCR costs to be around 100.000 Euro for a large MNC group.[33] Similarly, the OECD highlighted that any additional cost related to the data presentation is unlikely to impose a significant burden on companies.[34]

Moreover, the risk of creating an extra administrative burden for companies is no longer a valid argument. As a matter of fact, on 8 March 2016, EU Member States reached an agreement[35] on the automatic exchange of tax-related financial information of multinational companies (DAC4).

This measure requires EU multinationals with revenues in excess of €750 million to share key financial information on a CBC basis with tax authorities. Disclosure requirements include revenues, profits, taxes paid and number of employees by country of operation. Non-EU companies operating inside the EU through different subsidiaries are also covered by the DAC4 agreement, which is modelled on the OECD's BEPS Action Plan.[36]

Therefore, multinational companies will already have to develop CBC reports to be filed to tax administrations. What Transparency International EU is asking for is to make that information public.

[32] HMRC, Country-by-country reporting: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385161/TIIN_2150.pdf

[33] European Commission Staff Working Document, Impact assessment assessing the potential for further transparency on income tax information, April 2016: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0117&from=EN

[34] OECD, Discussion Draft on Transfer Pricing Documentation and CbC Reporting, 2014, page 9: https://www.oecd.org/ctp/transfer-pricing/volume1.pdf

[35] European Commission, Tax transparency: Commission welcomes agreement reached by Member States for the automatic exchange of information on country-by-country reports (CBCR) of multinational companies, subject to UK scrutiny, 8 March 2016: http://europa.eu/rapid/press-release_IP-16-663_en.htm

[36] Transparency International, Press Release: Ecofin Agreement a missed chance, campaigners say, March 2016: www.transparencyinternational.eu/2016/03/press-release-ecofin-agreement-a-missed-chance-campaigners-say/

	EUROPEAN COMMISSION's PROPOSAL ON "CBCR" FOR ALL SECTORS	TRANSPARENCY INTERNATIONAL EU's CALLS FOR A MEANINGFUL PUBLIC CBCR
Geographical scope of CBC reports	disaggregated data for EU MS + tax havens; aggregated data for all other countries	disaggregated data for every country of operation
Type of companies covered	all multinationals headquartered in the EU and non-EU MNEs that have a medium-sized or large subsidiary/branch in the EU	all multinationals headquartered in the EU and non-EU MNEs that have a related entity (subsidiary/branch) <u>of any size</u> in the EU
Size of companies covered	revenue >€750m	revenue >€40m
Publication	disclosure to the public (only on the company's relevant websites)	disclosure to the public (data reported in a common template and available in a central register in an open data format)
INFORMATION TO BE DISCLOSED		
Names(s), nature of activities and geographical location	x[1]	x
Turnover	x	x
Number of employees	x[2]	x
Profit or loss before tax	x	x

Tax on profit or loss (both accrued and paid)		x
Income tax paid	x	x
Income tax accrued	x	x
Accumulated earnings	x	x
Public subsidies received		x
Value of assets and annual cost of maintaining them		x
Sales and purchases		x
Payments to governments		x
List of subsidiaries in each MS and third country (and other related entities: affiliates, joint ventures, branches)		x

Notes:

1. The proposal does not foresee a disclosure of all multinationals' 'geographical locations'.
2. The proposal requires only the number of employees, whereas Transparency International EU calls for the disclosure of the number in full time equivalent basis.