

Country-by-country-reporting to tax authorities

Increasing tax transparency is a means to remedy non-transparent practices such as corporate tax avoidance which results in erosion of the taxpayer's tax bases and thus lost resources for countries.

Transparency to fight tax avoidance

Tax [transparency](#) aims at shifting the balance to demand sufficient data in order to distinguish the part of the activity of businesses with multinational reach (i.e. multinational enterprises, MNEs) that is related to a given jurisdiction. This is referred to as 'country-by-country reporting' (CBCR) which has become a transparency concept central to the fight against corporate tax avoidance and [aggressive tax planning](#). The transparency spectrum ranges from limited information provided to a single tax administration, to wider dissemination through exchange of information mechanisms or to the public at large. As a result, its instruments and conditions can be understood and tailored in different fashions. In particular, as is apparent from the two proposals relating to CBCR, it can either be limited to tax authorities or [public](#).

Exchange of information between tax authorities

The [proposal for a directive](#) on 'Mandatory automatic exchange of information in the field of taxation' is part of the '[Anti-tax avoidance package](#)' presented by the European Commission on 28 January 2016, and linked with the [BEPS](#) (Base erosion and profit shifting) action plan. The [proposal](#) will be the [third](#) amendment to [Council Directive 2011/16/EU](#) concerning administrative cooperation in the field of taxation (DAC).

It relates to [BEPS Action 13](#) which includes a separate country-by-country template in order to give a broad picture to tax authorities of how companies above the €750 million annual consolidated revenue threshold operate. CBCR would be included within the DAC, which already provides for exchange mechanisms. The proposal for a directive inserts a new article 8aa on the 'Scope and conditions of mandatory automatic exchange of information on country-by-country reports' applying the same threshold. The automatic exchange of information on CBCR will use a standard form, added in an Annex to the DAC, and will be transmitted through the Common Communication Network ([CCN](#)), which is to be upgraded accordingly. Penalties are set for infringing the national provisions transposing the directive. The implementation deadline for Member States would be 31 December 2016 at the latest.

Adoption of the proposal

As a tax measure, the European Parliament (EP) is only consulted while the proposal has to be adopted by the Council. The EP's Committee on Economic and Monetary Affairs (ECON) adopted its [report](#) on 26 April 2016 (rapporteur Dariusz Rosati, EPP, Poland), building on the recent resolutions on tax transparency prepared by the [ECON](#) and [TAXE 1](#) committees. The amendments call in particular for the Commission to have access to the information exchanged, whereas the proposal only provides for exchange between tax authorities. The Commission's involvement would aim at assessing compliance with state aid rules (as the state aid provisions may apply to unfair tax practices in the field of corporate taxation). The report also proposes the Commission be responsible for the central register of CBCR available to relevant authorities, and to publish a report on that basis giving due care to confidentiality, as well as informing the Council and the Parliament of the Member States' assessment of the effectiveness of the automatic exchange mechanism. The report also recalls that MNEs' corporate tax avoidance disadvantages other companies, in particular small and medium-sized enterprises, and that fighting it requires sufficient resources. The importance of designing tax in a way that they does not impair growth and investment, and minimises the costs and administrative burdens for companies is also restated.

The Council decided on a [general approach](#) to the proposal in March 2016 and is [awaiting](#) the opinion of the EP (the Economic and Social Committee has recently adopted its [opinion](#)) before adopting the directive.

