Development MEPs call for action to target tax evasion in developing countries
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Development MEPs called on companies in all countries to adopt country-by-country reporting and make all information public in order to fight tax evasion and illicit money flows in developing countries, in a resolution adopted on Monday afternoon. It also called on the EU's financial institutions to ensure that companies receiving EU support do not participate in tax evasion and avoidance.

"Given the importance of better mobilisation of domestic resources and the problems that developing countries face in tackling tax evasion and tax avoidance, we need a list of strong recommendations that the EP should support, in view of the Financing for Development Conference to be held in Addis Ababa and the range of existing international initiatives to reform the global tax system," said the rapporteur, Elly Schlein (S&D, IT), in her report.

Country-by-country reporting and publicly available information

MEPs say that listed and unlisted multinational companies in all countries and sectors, especially companies extracting natural resources, must adopt country-by-country reporting (CBCR) as standard. This requires them to publish as part of their annual report, on a country-by-country basis for each territory in which they operate, the names of all subsidiaries, their financial performance, relevant tax information, assets and number of employees, and to ensure that this information is publicly available.

They also call for information on beneficial ownership of companies, trusts and other institutions be made publicly available in open-data formats, in order to prevent anonymous shell companies and comparable legal entities from being used to launder money, finance illegal activities or terrorist activities.

No EU support for companies evading tax

The development committee calls on the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and financial institutions in the EU member states that fund development to monitor companies or other legal entities that receive support and ensure that they do not participate in tax evasion and avoidance by interacting with financial intermediaries established in offshore centres and tax havens and by facilitating illicit capital flows.

The committee calls on the Commission to put forward an ambitious action plan without delay to support developing countries in fighting tax evasion and tax avoidance and in setting up fair, well-balanced, efficient and transparent tax systems.

Next steps

The resolution was passed unanimously, with 24 votes in favour. The plenary vote is scheduled for the July session in Strasbourg (6-9 July).

Background

- Developing countries raise substantially less revenue than advanced economies (with a tax-to-GDP ratio ranging between 10% to 20%, as opposed to 30% to 40% of OECD economies) and are characterised by extremely narrow tax bases.
Press release

• Tax havens and secrecy jurisdictions that allow banking or financial information to be kept private, combined with 'zero-tax' regimes to attract capital and revenues that should have been taxed in other countries, generate harmful tax competition, undermine the fairness of the tax system and distort trade and investment, particularly affecting developing countries, with a loss of an estimated $189 billion of tax revenue annually.

Further information

• Committee on Development: http://www.europarl.europa.eu/committees/en/deve/home.html

• Meeting documents:

• Profile of rapporteur Elly Schlein (S&D, IT):

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