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Corporate tax transparency: MEPs okay new country-by-country reporting rules

- Multinationals will have to publically disclose the amount of tax they pay in each EU country
- Some flexibility but detailed rules to prevent abuse by multinationals

MEPs give their final green light to new rules obliging big multinationals to publicly declare the taxes they pay in each EU country, in order to undermine tax avoidance.

By adopting this legislation on Thursday, plenary closed a legislative process prolonged by five years of foot-dragging by some EU governments.

Multinationals and their subsidiaries with annual revenues over €750 million - and which are active in more than one EU country - will now have to publish the amount of tax they pay in each member state. This information will also need to be made publically available on the internet, using a common template and in a machine-readable format.

Detailed reporting for greater transparency

According to the agreement approved by MEPs, to facilitate the use of the information provided and to increase transparency the data provided by companies will need to be broken down into specific items. These include the nature of the company's activities, the number of full-time employees, the amount of profit or loss before income tax, the amount of accumulated and paid income tax and accumulated earnings.

Additional safeguards to prevent abuses by companies

Subsidiaries or branches below the revenue threshold will also be required to publish their tax information if they are deemed to exist only to help the company avoid the new reporting requirements.

Some provisions allow multinationals to be temporarily exempt from some reporting requirements, but these are nonetheless strongly circumscribed.

Extra-territorial reach

The tax transparency reports also extend to the EU list of non-cooperative jurisdictions for tax purposes outside the EU (countries on the so-called EU "black" and "grey" lists), according to the legislative text. Although MEPs wanted stronger provisions to tackle profit shifting to non-EU tax havens, the new rules will still expose tax revenue being lost to tax havens. In January 2021, Parliament acknowledged reports which show that 6 of the 20 largest tax havens are EU countries, with EU member states being two of the top six. A study by the Director of the EU Tax Observatory concluded that about 80% of the profits shifted in the EU are channelled to EU tax havens.

Quotes

Co-rapporteur Evelyn Regner (S&D, AT) said: “Persistence pays off. Despite all the adversity and a five-year-long blockage in the Council, we can proudly say that the call for more corporate tax transparency has been answered.. For too long, corporations have played by their own rules. Thanks to the transparency provided by public country-by-country reporting, we will now be able to shed light on this opaque corporate jungle.”

Co-rapporteur Ibán García del Blanco (S&D, ES) said: " Today’s adoption is a long awaited step in increasing corporate transparency, setting a precedent for the world. The EU must put an end to the cloak of secrecy around where and how large multinational do business and how much taxes they pay in each country.. Citizens, investors, trade unions, researchers and journalists have the right to know this information, and corporations have to demonstrate they behave responsibly. "

Next steps

The directive will enter into force 20 days after publication in the Official Journal. Member states will then have 18 months to transpose the law into their national laws. This means that businesses will need to be complying with the first provisions of the directive by mid-2024.

The legislation includes a review clause; the rules will be revisited in four years and extended after an assessment.

Further information

The adopted text will be available here (11.11.2021)
Plenary debate (10.11.2021)

Profile of the rapporteur, Evelyn Regner (S&D, AT)

Profile of the rapporteur, Iban García del Blanco (S&D, ES)
Procedure file

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