Public country-by-country reporting by big multinationals: EU co-legislators reach political agreement

Representatives of the Portuguese presidency of the Council today reached a provisional political agreement with the European Parliament’s negotiating team on the proposed directive on the disclosure of income tax information by certain undertakings and branches, commonly referred to as the public country-by-country reporting (CBCR) directive.

> Corporate tax avoidance and aggressive tax-planning by big multinational companies are believed to deprive EU countries of more than 50 billion euros of revenue per year. Such practices are facilitated by the absence of any obligation for big multinational companies to report on where they make their profits and where they pay their tax in the EU on a country-by-country basis. At a time when our citizens are struggling to overcome the effects of the pandemic crisis, it is more crucial than ever to require meaningful financial transparency regarding such practices. It is our duty to ensure that all economic actors contribute their fair share to the economic recovery.
>
> *Pedro Siza Vieira, Portuguese Minister of State for the Economy and Digital Transition*

The agreed text requires multinational enterprises or standalone undertakings with a total consolidated revenue of more than €750 million in each of the last two consecutive financial years, whether headquartered in the EU or outside, to disclose publicly income tax information in each member state, as well as in each third country listed in Annex I of the Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes or listed for two consecutive years in Annex II of these Council conclusions. Such reporting shall take place by means of a common EU template and in machine readable electronic formats.

In order to avoid disproportionate administrative burden on the companies involved and to limit the disclosed information to what is absolutely necessary to enable effective public scrutiny, the directive provides for a complete and final list of information to be disclosed.

The reporting will take place within 12 months from the date of the balance sheet of the financial year in question. The directive sets out the conditions under which a company may obtain the deferral of the disclosure of certain elements for a maximum of five years.

It also stipulates who bears the actual responsibility for ensuring compliance with the reporting obligation.

Member states will have eighteen months to transpose the directive into national law. Four years after the date of its transposition, the Commission shall report on the application of the directive.

Next steps

The provisionally agreed text will now be submitted to the relevant bodies of the Council and of the European Parliament for political endorsement. If such endorsement takes place, the Council will adopt its position at first reading on the basis of the agreed text (subject to standard legal-linguistic scrutiny). The European Parliament should then approve that Council’s position and the directive will be deemed to have been adopted.