Council approves greater corporate transparency for big multinationals

The EU is taking measures to enhance corporate transparency of big multinational companies. Member states’ ambassadors today mandated the Portuguese presidency to engage in negotiations with the European Parliament for the swift adoption of 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.

The directive 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 in a specific report the income tax they pay in each member state, together with other relevant tax-related information.

Banks are exempted from the present directive as they are obliged to disclose similar information under another directive.

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

The reporting will have to 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 such disclosure for a maximum of six years.

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

Member states will have two years to transpose the directive into national law.

Next steps

On the basis of the agreed negotiating mandate, the Portuguese presidency will explore with the European Parliament the possibility of an agreement for the swift adoption of the directive at second reading (“early second reading agreement”).

Background

The proposed directive, tabled in April 2016, is part of the Commission action plan on a fairer corporate tax system.

The European Parliament adopted its position at first reading on 27 March

2019.