What the EU needs to do to combat

tax dodging

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# Country by Country Reporting

### Require all multinational enterprises to publish, as part of their annual reports and on a country by country basis for each country in which they operate, information on profits made, taxes paid, subsidies received as well as turnover and number of employees.

#### Why?

#### Unless citizens have access to basic information about the multinational enterprises operating in our societies, including data regarding their profits, economic activity and tax payments in each individual country, it will not be possible to assess whether the taxation of multinational enterprises is fair. Furthermore, the current opacity is what allows multinational enterprises to avoidtaxes, circumvent national tax laws and shift their profits to tax havens.

#### Due to the large amounts of resources lost through corporate tax dodging in both the EU and in developing countries, this issue should be treated as a matter of urgency.

#### State of Play

#### In 2013, country by country reporting was adopted for banks as part of the Capital Requirements Directive. From 2015, the data will be made public, unless the EC finds significant economic disadvantages when carrying out an impact assessment, in which case they can propose a delay.

#### Furthermore, following a review of the Accounting Directive, extractive industries will be required to publish information about payments made to governments.

#### In mid-2013 it was suggested to add a paragraph on country by country reporting for all sectors to a proposal on non-financial reporting, which was being debated in the European Parliament and the Council. However, in early 2014, a parliament committee vote on this issuewas lost by a narrow margin. Instead, the Parliament came out in favour of a review clause calling for the Commission to draft a proposal on country-by-country reporting in the near future. The Council, however, requested the proposal from the Parliament to be watered down and at the end of February, the Parliament and the Council agreed a final outcome that includes a weak reference to country-by-country reporting in the context of a 2018 review.

# Public Registries of Beneficial Owners

### End the anonymity of companies, trusts, foundations, and similar legal structures through the creation of public registries of the real – beneficial – owners, in order to prevent the abuse of such structures for money laundering purposes.

#### Why?

#### Legal structures with secret owners are currently being abused to hide and launder revenues from tax dodging, corruption and other illegal activities. In order to prevent money laundering and tax dodging, the EU must establish public registries showing the real – beneficial – owners of companies, trusts, foundations and similar legal structures.

#### State of play

#### In the context of the review of the EU’s Anti-Money Laundering Directive, a proposal on establishing public registries of beneficial owners has been adopted by two committees in the European Parliament and is expected to be adopted by the European Parliament plenary by mid-March 2014. After the 2014 elections, the trialogue negotiations between the Parliament, the European Commission and the Council are expected to begin.

# Common consolidated corporate tax base

### Adopt a mandatory common consolidated corporate tax base for all EU corporations except small and medium enterprises, in order to prevent profit shifting and aggressive tax planning.

#### Why?

#### A common consolidated corporate tax base (CCCTB) would establish one single set of rules for calculating the taxable profits of multinational enterprises and thus make it more difficult to corporations to exploit loopholes between the tax regulations in different EU member states. The CCCTB would not impose any common tax rate but simply address the rules for calculating their taxable profits.

#### State of play

#### The European Commission has proposed a voluntary scheme for member states to enter into. In 2012, the European Parliament adopted a resolution calling for the scheme to be made mandatory for all EU companies except small and medium enterprises.

#### More information

<http://www.europarl.europa.eu/news/en/news-room/content/20120418IPR43390/html/Corporate-taxation-Parliament-pushes-for-a-compulsory-common-base>

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0135+0+DOC+XML+V0//EN&language=EN>

# UN process on tax matters

### Support the establishment of an intergovernmental process on tax matters under the auspices of the United Nations.

#### Why?

#### The vast majority of the world’s developing countries, including the world’s poorest countries, are not included in the negotiations on tax matters taking place in forums such as the G20 and the OECD.

#### Since the international tax standards and agreements have substantial financial impact on all countries, including the poorest, a truly global process should be establish under the auspices of the UN with a mandate to negotiate these matters in a way that ensures that all nations can participate on an equal footing.

#### State of play

#### The Group of 77, representing more than 100 developing countries, have called for an intergovernmental body on tax matters to be established under the auspices of the United Nations, but the EU has so far rejected this proposal. Instead, the EU countries have continued to negotiate tax matters in forums where the poorest developing countries are not able to participate on an equal footing, including the G20 and the OECD.

# Assessment of EU impacts on developing countries

### Spill-over analysis of EU tax and transparency regulation on developing countries.

#### Why?

#### It is estimated that developing countries lose well over 100 billion Euros a year due to corporate tax dodging[[1]](#footnote-1). Rules regulating the behaviour, transparency and accountability of European corporations operating in developing countries therefore have a major impact on the financial situation in these countries.

#### State of play

#### In 2013, an evaluationwas carried out to assess how the corporate tax policies of the Netherlands impact developing countries.

#### The EU’s tax and transparency regulations have never been subject to an evaluation that assesses how these regulations impact developing countries.

#### More information

#### Evaluation of the effects of Dutch corporate tax policy on developing countries: <http://www.iob-evaluatie.nl/sites/iob-evaluatie.nl/files/IOB%20STUDY%20386%20EN_BW%20WEB.pdf>

1. $160 billion per year. Source: Christian Aid (2008), *Death and Taxes:The True Toll of Tax Dodging,* accessible at http://www.christianaid.org.uk/

   images/deathandtaxes.pdf [↑](#footnote-ref-1)