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*Committee on Economic and Monetary Affairs  
Committee on Legal Affairs*

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**2016/0107(COD)**

.2.2017

**\*\*\*I**

## **DRAFT REPORT**

on the proposal for a directive of the European Parliament and of the Council  
amending Directive 2013/34/EU as regards disclosure of income tax  
information by certain undertakings and branches  
(COM(2016)0198 – C8-0146/2016 – 2016/0107(COD))

Committee on Economic and Monetary Affairs  
Committee on Legal Affairs

Rapporteurs: Hugues Bayet, Evelyn Regner

(Joint committee meetings – Rule 55 of the Rules of Procedure)

### ***Symbols for procedures***

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

### ***Amendments to a draft act***

#### **Amendments by Parliament set out in two columns**

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

#### **Amendments by Parliament in the form of a consolidated text**

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the proposal for a directive of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches  
(COM(2016)0198 – C8-0146/2016 – 2016/0107(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2016)0198),
  - having regard to Article 294(2) and Article 50(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0146/2016),
  - having regard to the opinion of the Committee on Legal Affairs on the proposed legal basis,
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the reasoned opinions submitted within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Irish Houses of the Oireachtas and the Swedish Parliament, asserting that the draft legislative act does not comply with the principle of subsidiarity,
  - having regard to the opinion of the European Economic and Social Committee of 21 September 2016<sup>1</sup>,
  - having regard to Rules 59 and 39 of its Rules of Procedure,
  - having regard to the joint deliberations of the Committee on Economic and Monetary Affairs and the Committee on Legal Affairs under Rule 55 of the Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the Committee on Legal Affairs (A8-0000/2017),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> OJ C 487, 28.12.2016, p. 62.

## Amendment 1

### Proposal for a directive

#### Recital -1 (new)

*Text proposed by the Commission*

*Amendment*

***(-1) A fair and effective corporate taxation system should become the cornerstone of the single market and a coordinated and harmonised approach to the implementation of national tax systems is vital to guarantee the proper functioning of the single market and the success of the capital markets union, and would contribute to prevent tax avoidance and profit shifting.***

Or. en

## Amendment 2

### Proposal for a directive

#### Recital 5

*Text proposed by the Commission*

*Amendment*

(5) Enhanced public scrutiny of corporate income taxes borne by multinational undertakings carrying out activities in the Union is an essential element to further foster corporate responsibility, to contribute to the welfare through taxes, to promote fairer tax competition within the Union through a better informed public debate and to restore public trust in the fairness of the national tax systems. Such public scrutiny can be achieved by means of a report on income tax information, irrespective of where the ultimate parent undertaking of the multinational group is established.

***(5) Tax evasion and tax avoidance represent a significant loss of revenue for Member States, which reduces their ability to invest in actions to promote employment, combat poverty and develop effective health systems for all.*** Enhanced public scrutiny of corporate income taxes borne by multinational undertakings carrying out activities in the Union is an essential element to further foster corporate responsibility, to contribute to the welfare through taxes, to promote fairer tax competition within the Union through a better informed public debate and to restore public trust in the fairness of the national tax systems. Such public scrutiny can be achieved by means of a report on income tax information, irrespective of where the ultimate parent undertaking of the multinational group is established.

### Amendment 3

#### Proposal for a directive

##### Recital 8

###### *Text proposed by the Commission*

(8) The report on income tax information should provide information concerning all the activities of an undertaking or of all the affiliated undertakings of a group controlled by an ultimate parent undertaking. The information should be based on the reporting specifications of BEPS' Action 13 ***and should be limited to what is necessary to enable effective public scrutiny, in order to ensure that disclosure does not give rise to disproportionate risks or disadvantages.*** The report should also include a brief description of the nature of the activities. Such description might be based on the categorisation provided for in table 2 of the Annex III of Chapter V of the OECD "Transfer Pricing Guidelines on Documentation". The report should include an overall narrative providing explanations in case of material discrepancies at group level between the amounts of taxes accrued and the amounts of taxes paid, taking into account corresponding amounts concerning previous financial years.

###### *Amendment*

(8) The report on income tax information should provide information concerning all the activities of an undertaking or of all the affiliated undertakings of a group controlled by an ultimate parent undertaking. The information should be based on the reporting specifications of BEPS' Action 13. The report should also include a brief description of the nature of the activities. Such description might be based on the categorisation provided for in table 2 of the Annex III of Chapter V of the OECD "Transfer Pricing Guidelines on Documentation". The report should include an overall narrative providing explanations in case of material discrepancies at group level between the amounts of taxes accrued and the amounts of taxes paid, taking into account corresponding amounts concerning previous financial years.

Or. en

### Amendment 4

#### Proposal for a directive

##### Recital 9

###### *Text proposed by the Commission*

(9) In order to ensure a level of detail that enables citizens to better assess the

###### *Amendment*

(9) In order to ensure a level of detail that enables citizens to better assess the

contribution of multinational undertakings to welfare in each Member State, the information should be broken down by *Member State. Moreover, information concerning the operations of multinational enterprises should also be shown with a high level of detail as regards certain tax jurisdictions which pose particular challenges. For all other third country operations, the information should be given in an aggregate number.*

contribution of multinational undertakings to welfare in each Member State, the information should be broken down by *jurisdiction.*

Or. en

## **Amendment 5**

### **Proposal for a directive Recital 9 a (new)**

*Text proposed by the Commission*

*Amendment*

*(9a) Member States should ensure that an adequate level of human, technical and financial resources are dedicated within tax administrations to the automatic exchange of information, to data processing and to the fight against tax fraud and tax avoidance.*

Or. en

## **Amendment 6**

### **Proposal for a directive Recital 11 a (new)**

*Text proposed by the Commission*

*Amendment*

*(11a) Trade unions and employees of multinational undertakings should be regularly and duly informed of the situation of the undertaking, including the number of employees employed on a full-time equivalent basis, the amount of profit made and of income tax paid, and*



*the objectives and future investment plan  
of the undertaking.*

Or. en

## **Amendment 7**

### **Proposal for a directive Recital 13**

*Text proposed by the Commission*

*Amendment*

*(13) In order to determine certain tax jurisdictions for which a high level of detail should be shown, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of drawing up a common Union list of these tax jurisdictions. This list should be drawn up on the basis of certain criteria, identified on the basis of Annex 1 of the Communication from the Commission to the European Parliament and Council on an External Strategy for Effective Taxation (COM(2016) 24 final). It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making as approved by the European Parliament, the Council and the Commission and pending formal signature. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.*

*deleted*

Or. en

## Amendment 8

### Proposal for a directive

#### Recital 13 a (new)

*Text proposed by the Commission*

*Amendment*

**(13a) In order to ensure uniform conditions for the implementation of Article 48b(1), (3), (4) and (6) and Article 48c(5) of Directive 2013/34/EU, implementing powers should also be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>1a</sup>.**

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<sup>1a</sup> **Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).**

Or. en

## Amendment 9

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48b – paragraph 1 – subparagraph 1

*Text proposed by the Commission*

*Amendment*

Member States shall require ultimate parent undertakings governed by their national laws **and having a consolidated net turnover exceeding EUR 750 000 000 as well as undertakings** governed by their national laws that are not affiliated undertakings **and having a net turnover**

Member States shall require ultimate parent undertakings **of large groups as defined in Article 3(7)**, governed by their national laws, **and large undertakings as defined in Article 3(4)**, governed by their national laws that are not affiliated undertakings to draw up and publish a

**exceeding EUR 750 000 000** to draw up and publish a report on income tax information on an annual basis.

report on income tax information on an annual basis.

Or. en

## Amendment 10

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48b – paragraph 1 – subparagraph 2

#### *Text proposed by the Commission*

The report on income tax information shall be made accessible to the public on the website of the undertaking on the date of its publication.

#### *Amendment*

The report on income tax information shall be ***published in a common template available in an open data format and*** made accessible to the public on the website of the undertaking on the date of its publication ***in at least one of the official languages of the Union. On the same date, the undertaking shall also file the report in a public registry managed by the European Commission.***

Or. en

## Amendment 11

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48b – paragraph 3 – subparagraph 1

#### *Text proposed by the Commission*

Member States shall require ***the medium-sized and large*** subsidiary undertakings ***referred to in Article 3(3) and (4)*** which are governed by their national laws and controlled by an ultimate parent undertaking which has a consolidated net turnover exceeding EUR ***750 000 000*** and which is not governed by the law of a

#### *Amendment*

Member States shall require subsidiary undertakings which are governed by their national laws and controlled by an ultimate parent undertaking which has a consolidated net turnover exceeding EUR ***40 000 000*** and which is not governed by the law of a Member State, to publish the report on income tax information of that

Member State, to publish the report on income tax information of that ultimate parent undertaking on an annual basis.

ultimate parent undertaking on an annual basis.

Or. en

## Amendment 12

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48b – paragraph 3 – subparagraph 2

#### *Text proposed by the Commission*

The report on income tax information shall be made accessible to the public on the date of its publication on the website of the subsidiary undertaking or on the website of an affiliated undertaking.

#### *Amendment*

The report on income tax information shall be ***published in a common template available in an open data format and*** made accessible to the public on the date of its publication on the website of the subsidiary undertaking or on the website of an affiliated undertaking ***in at least one of the official languages of the Union. On the same date, the undertaking shall also file the report in a public registry managed by the European Commission.***

Or. en

## Amendment 13

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48b – paragraph 4– subparagraph 2

#### *Text proposed by the Commission*

The report on income tax information shall be made accessible to the public on the date of its publication on the website of the branch or on the website of an affiliated undertaking.

#### *Amendment*

The report on income tax information shall be ***published in a common template available in an open data format and*** made accessible to the public on the date of its publication on the website of the branch or on the website of an affiliated undertaking ***in at least one of the official***

*languages of the Union. On the same date, the undertaking shall also file the report in a public registry managed by the European Commission.*

Or. en

## **Amendment 14**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48b – paragraph 5 – point a

#### *Text proposed by the Commission*

(a) the undertaking which opened the branch is either an affiliated undertaking of a group which is controlled by an ultimate parent undertaking not governed by the law of a Member State and which has a consolidated net turnover exceeding EUR **750 000 000** or an undertaking that is not an affiliated and which has a net turnover exceeding EUR **750 000 000**;

#### *Amendment*

(a) the undertaking which opened the branch is either an affiliated undertaking of a group which is controlled by an ultimate parent undertaking not governed by the law of a Member State and which has a consolidated net turnover exceeding EUR **40 000 000** or an undertaking that is not an affiliated and which has a net turnover exceeding EUR **40 000 000**;

Or. en

## **Amendment 15**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48b – paragraph 5 – point b

#### *Text proposed by the Commission*

(b) *the ultimate parent undertaking referred to in point (a) does not have a medium-sized or large subsidiary undertaking as referred to in paragraph 3.*

#### *Amendment*

*deleted*

Or. en

## Amendment 16

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point a

*Text proposed by the Commission*

(a) a brief description of the nature of the activities;

*Amendment*

(a) ***name(s)***, a brief description of the nature of the activities ***and geographical location***;

Or. en

## Amendment 17

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point b

*Text proposed by the Commission*

(b) the number of employees;

*Amendment*

(b) the number of employees ***employed on a full-time equivalent basis***;

Or. en

## Amendment 18

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point b a (new)

*Text proposed by the Commission*

*Amendment*

***(ba) the value of assets and annual cost of maintaining those assets;***

Or. en

## Amendment 19

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point b b (new)

*Text proposed by the Commission*

*Amendment*

**(bb) sales and purchases;**

Or. en

## Amendment 20

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point b c (new)

*Text proposed by the Commission*

*Amendment*

**(bc) the value of investments broken down by tax jurisdiction;**

Or. en

## Amendment 21

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 2 – point c

*Text proposed by the Commission*

*Amendment*

(c) the amount of the net turnover, **which includes** the turnover made with related parties;

(c) the amount of the net turnover, **including a distinction between** the turnover made with related **parties and the turnover made with unrelated** parties;

Or. en

## **Amendment 22**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48c – paragraph 2 – point f a (new)

*Text proposed by the Commission*

*Amendment*

**(fa)    *stated capital;***

Or. en

## **Amendment 23**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48c – paragraph 2 – point f b (new)

*Text proposed by the Commission*

*Amendment*

**(fb)    *tangible assets other than cash or  
cash equivalents;***

Or. en

## **Amendment 24**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48c – paragraph 2 – point g a (new)

*Text proposed by the Commission*

*Amendment*

**(ga)    *public subsidies received;***

Or. en

## **Amendment 25**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**



Directive 2013/34/EU  
Article 48c – paragraph 2 – point g b (new)

*Text proposed by the Commission*

*Amendment*

**(gb) the list of subsidiaries operating in each tax jurisdiction both inside and outside the Union and data for those subsidiaries corresponding to the data requirements on the parent undertaking under this Article;**

Or. en

## **Amendment 26**

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 2**  
Directive 2013/34/EU  
Article 48c – paragraph 2 – point g c (new)

*Text proposed by the Commission*

*Amendment*

**(gc) all payments made to governments on an annual basis as defined in Article 41(5).**

Or. en

## **Amendment 27**

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 2**  
Directive 2013/34/EU  
Article 48c – paragraph 3 – subparagraph 1

*Text proposed by the Commission*

*Amendment*

The report shall present the information referred to in paragraph 2 separately for each Member State. Where a Member State comprises several tax jurisdictions, the information shall be ***combined at Member State level***.

The report shall present the information referred to in paragraph 2 separately for each Member State. Where a Member State comprises several tax jurisdictions, the information shall be ***listed separately for each tax jurisdiction***.

Or. en

## Amendment 28

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 3 – subparagraph 2

#### *Text proposed by the Commission*

The report shall also present the information referred to in paragraph 2 of this Article separately for each tax jurisdiction *which, at the end of the previous financial year, is listed in the common Union list of certain tax jurisdictions drawn up pursuant to Article 48g, unless the report explicitly confirms, subject to the responsibility referred to in Article 48e below, that the affiliated undertakings of a group governed by the laws of such tax jurisdiction do not engage directly in transactions with any affiliated undertaking of the same group governed by the laws of any Member State.*

#### *Amendment*

The report shall also present the information referred to in paragraph 2 of this Article separately for each tax jurisdiction *outside the* Union.

Or. en

## Amendment 29

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 3 – subparagraph 3

#### *Text proposed by the Commission*

*The report shall present the information referred to in paragraph 2 on an aggregated basis for other tax jurisdictions.*

#### *Amendment*

*deleted*

Or. en

## Amendment 30

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48c – paragraph 5

#### *Text proposed by the Commission*

5. The report on income tax information shall be published and made accessible on the website in at least one of the official languages of the Union.

#### *Amendment*

5. The report on income tax information shall be published ***in a common template available in an open data format*** and made accessible on the website in at least one of the official languages of the Union. ***On the same date, the undertaking shall also file the report in a public registry managed by the European Commission.***

Or. en

## Amendment 31

### Proposal for a directive

#### Article 1 – paragraph 1 – point 2

Directive 2013/34/EU

Article 48e – paragraph 2

#### *Text proposed by the Commission*

2. Member States shall ensure that the members of the administrative, management and supervisory bodies of the subsidiary undertakings referred to in Article 48b(3) of this Directive and the person(s) designated to carry out the disclosure formalities provided for in Article 13 of Directive 89/666/EEC for the branch referred to in Article 48b(4) of this Directive, acting within the competences assigned to them by national law, have collective responsibility for ensuring that, ***to the best of their knowledge and ability***, the report on income tax information is drawn up, published and made accessible in accordance with Articles 48b, 48c and 48d.

#### *Amendment*

2. Member States shall ensure that the members of the administrative, management and supervisory bodies of the subsidiary undertakings referred to in Article 48b(3) of this Directive and the person(s) designated to carry out the disclosure formalities provided for in Article 13 of Directive 89/666/EEC for the branch referred to in Article 48b(4) of this Directive, acting within the competences assigned to them by national law, have collective responsibility for ensuring that the report on income tax information is drawn up, published and made accessible in accordance with Articles 48b, 48c and 48d.

## **Amendment 32**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48g

*Text proposed by the Commission*

*Amendment*

#### **Article 48g**

*deleted*

#### ***Common Union list of certain tax jurisdictions***

***The Commission shall be empowered to adopt delegated acts in accordance with Article 49 in relation to drawing up a common Union list of certain tax jurisdictions. That list shall be based on the assessment of the tax jurisdictions, which do not comply with the following criteria:***

- (1) Transparency and exchange of information, including information exchange on request and Automatic Exchange of Information of financial account information;***
- (2) Fair tax competition;***
- (3) Standards set up by the G20 and/or the OECD;***
- (4) Other relevant standards, including international standards set up by the Financial Action Task Force.***

***The Commission shall regularly review the list and, where appropriate, amend it to take account of new circumstances.***

## **Amendment 33**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2**

Directive 2013/34/EU

Article 48j (new)

*Text proposed by the Commission*

*Amendment*

#### **Article 48j**

##### ***Common template for the report***

*The Commission shall, by means of implementing acts, lay down the common template to which Article 48b(1), (3), (4) and (6) and Article 48c(5) refers. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 50(2).*

Or. en

## **Amendment 34**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 3**

Directive 2013/34/EU

Article 49

*Text proposed by the Commission*

*Amendment*

(3) *Article 49 is amended as follows:*

*deleted*

(a) *Paragraphs 2 and 3 are replaced by the following*

*‘2. The power to adopt delegated acts referred to in Article 1(2), Article 3(13), Article 46(2) and Article 48g shall be conferred on the Commission for an indeterminate period of time from the date referred to in Article 54.*

*3. The delegation of power referred to in Article 1(2), Article 3(13), Article 46(2) and Article 48g may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take*

*effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force. ’*

*(b) The following paragraph 3a is inserted:*

*‘3a. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of [date]. ’*

*(c) Paragraph 5 is replaced by the following:*

*‘5. A delegated act adopted pursuant to Article 1(2), Article 3(13) Article 46(2) or Article 48g shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council. ’*

Or. en

## EXPLANATORY STATEMENT

Public Country-by-Country Reporting (CBCR) on tax-relevant company data is a key element in the fight against international tax evasion and tax avoidance and against the race to the bottom between tax systems. Yet, the benefits of this directive will go much further. With growing mobility and global and European-wide economic activities, transparency in terms of disclosure is a prerequisite for a strong corporate governance and a tool to enhance corporate social responsibility.

At present, citizens cannot use corporate published accounts to establish even whether multinationals operate in their tax jurisdictions. As multinational undertakings grow more complex and often, unfortunately, less transparent, the problem is getting worse. Most countries use International Accounting Standards. Therefore, public CBCR will be a cost-effective way to generate change in global corporate transparency for the benefit of our societies, including citizens, shareholders, tax authorities, investors, economists, and it will give them a means to hold governments and multinational companies to account.

Your rapporteurs believe that beyond the tax-related and corporate accountability objectives, this directive is also a tool to enhance worker's rights to information and consultation. Public reporting strengthens dialogue and promotes mutual trust within undertakings since it can provide objective and reliable data about the companies' situation, raising in this way awareness in all stakeholders, including employees, of adaptation needs. It also promotes employee involvement in the operation and in the future of the undertaking and increase its competitiveness.

The European Parliament has long been calling for public CBCR. Already in 2011, it adopted its position regarding country-by-country reporting stating that the quality of financial reporting is crucial to combat tax evasion effectively and that it would equally be beneficial for investors in all sectors, thereby contributing to good governance globally. In 2014, CBCR became part of the discussion within the framework of the Directive on non-financial reporting. Finally, when the rapporteur for the Shareholders' Rights Reform, Sergio Cofferati, pushed to introduce public CBCR in the Accounting Directive, the Commission decided to present a specific proposal on the matter in the form of an amending act to the Accounting Directive. This amendment to the Accounting Directive can play a crucial role in corporate reporting.

Your rapporteurs propose to enhance transparency with regard to the information undertakings should provide, and suggest the following main improvements to the Commission's text:

- In view of Better Lawmaking, the introduction of new categories of undertakings and groups is to be avoided. This amendment to the Accounting Directive should be aligned with the logic of the Accounting Directive. The thresholds for micro, small and medium and large undertakings have long been defined. The concept goes back to the 4th company law directive in 1978. The need for the introduction of a new threshold has not been until now satisfactorily justified by the Commission. Since SMEs do not have the resources to invest into letterbox company structures to artificially shift profits, they are being pushed into a competitive

disadvantage vis-à-vis multinationals. In order to ensure a healthy single market it is essential to establish a fair, efficient, transparent and growth-friendly common corporate reporting system based on the principle that profits should be taxed in the country where they are generated. Therefore large groups as defined in Article 3(7) and all large undertakings as defined in article 3 (4) should be subject to the new disclosure requirements.

- Yours rapporteurs consider that it would be inappropriate to limit the scope of this directive to information related to EU Member States and tax havens and, therefore, even if, in principle, they would not be against the idea of an EU blacklist of tax havens established on the basis of clear criteria, they propose that multinational corporations should provide information on their activities for each jurisdiction where they operate, also outside the European Union. Public disclosure of such information is not a sanction for non-cooperative jurisdictions but rather a prerequisite for those operating in a well-functioning single market.
- With a view to enhancing public scrutiny and global corporate transparency, your rapporteurs consider that multinational corporations should disclose relevant information for all countries worldwide in which they operate so that taxes are paid where the profits are actually generated. Your rapporteurs' call for non-aggregated data to be disclosed is in line with the EU's policy coherence for development as it aims at promoting tax compliance and at providing developing countries with effective help in gaining access to their tax revenues.
- Your rapporteurs consider it essential that the format of the publication allows for comparison of data and, therefore, propose a standardisation of the format of the reporting documents for all companies within the scope of this directive.

To conclude, your rapporteurs would like to underline the importance for a proper functioning of the single market of a coordinated and harmonised approach to the implementation of corporate reporting systems. In this context, your rapporteurs want to stress, once again, that more transparency of multinational undertakings' activities is key for putting an end to profit shifting, operated via several mechanisms, such as letterbox companies, patent boxes and transfer pricing, and also to unhealthy tax competition practices between legal systems, which too often have been used to the detriment of citizens, in particular tax payers, employees, and SMEs.