BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr. Roberto Gualtieri
Chair of the ECON committee
Rue Wiertz 60
BE-1047 Brussels

30 March 2017

Dear Chair, Dear Mr. Gualtieri,

BusinessEurope welcomes the European Commission's objective to fight tax fraud and evasion. We agree with the principle that businesses should pay taxes in line with where actual profits are generated, and we have provided our support to the recently implemented Commission-proposal, requiring companies to report tax information on a country-by-country basis which is then shared between tax authorities ('Non-public CBCR').

However, we continue to be concerned by the Commission's proposal for the EU to unilaterally require public country-by-country reporting by amending Directive 2013/34/EU ('Public CBCR'). Implementation of this proposal would damage the attractiveness of the EU as an investment destination for foreign direct investment (FDI), ultimately reducing overall levels of corporate tax receipts and growth in the EU. Public CBCR would jeopardise the consensus reached at OECD level, after two years of negotiations, on the automatic exchange of CBCRs among tax authorities (BEPS Action 13). The Commission's proposal undermines the role of the tax authorities who have the expertise, and, supported by the OECD agreement, the information to properly enforce tax rules and would not support an informed discussion of companies' tax liabilities by instead providing information to the public that is susceptible of incomplete and misguided interpretation. The proposal may also be regarded as unconstitutional in some Member States. Moreover, companies required to report publicly – on top of tax information that is already provided in financial reporting – may be forced to provide insight into their business strategies that competitors may not otherwise be able to discern. The proposal for public CBCR is also quite disproportionate in relation to the observed size of the problem; the OECD calculates that only around 5% of corporate tax revenues are currently misallocated between countries.

We are disappointed that the European Parliament has not taken the opportunity to address these concerns. Instead, the Parliament's proposal, if adopted by the Council, risks further damaging the competitiveness of EU companies. The Parliament's proposal to lower the Commission's threshold of EUR 750 million to 40 million may now put even more EU companies at a competitive disadvantage. Moreover, a threshold of 40 million for public CBCR would be significantly lower than the OECD's proposed threshold of 750 million for Non-Public CBCR. By being the frontrunner, the EU risks putting its own companies at a disadvantage and jeopardises the willingness of other countries who have signed up to the OECD proposal to share taxpayers' country-by-country reporting information. We are also particularly concerned by the Parliament's proposal which requires companies subject to the rule to publish information on a CBC basis for each tax jurisdiction where they operate, both in and outside of the EU (as opposed to the

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Commission's proposal which only required aggregated data for third countries and individual reports for operations in EU Member States and non-cooperative tax jurisdictions). This would only further aggravate the competitive disadvantage for EU-companies.

Given the clear potential to increase uncertainty for EU-based businesses and reduce FDI, we urge the European Parliament to reconsider its report and explore in more depths how we can better pursue our common goal of fighting tax fraud and evasion without risking the competitiveness of our companies and taking into account an international level playing field, for example by building on tax transparency that is already available in financial information.

I am sending an identical letter to the chair of the JURI committee.

Yours sincerely,

Markus J. Beyrer