

The EU Public CbCR directive

Game changer in the tax transparency debate
July 2023



EU tax transparency debate – new directive

As part of the tax transparency debate, the discussions for Public Country-by-Country-Reporting (CbCR) legislation in the European Union ("EU") again gained momentum and on 14 June 2021 the compromise text of the directive was approved by two European Parliament committees.

The new directive entered into force on 21 December 2021 and EU Member States had until 22 June 2023 to transpose the directive into domestic legislation. The rules therefore apply the latest from the commencement date of the first financial year starting on or after 22 June 2024 but may be implemented earlier, as e.g. in the case of Romania having implemented the directive for periods starting from 1 January 2023.

The deadline for publishing the report on income tax information (as provided for under the directive and largely in line with the OECD CbCR rules) is twelve months from the balance sheet date of the financial year for which the report is drawn up.

The new EU directive is also relevant for Swiss groups which exceed the EUR 750 million revenues threshold and their EU presence includes either medium-sized or large EU subsidiaries or branches. For subsidiaries this is the case if 2 out of 3 criteria are met: (i) revenues >EUR 8m, (ii) total balance sheet amount >EUR 4m and (iii) at least 50 FTEs. For branches only the criterion (i) is relevant.

While for EU head-quartered groups it is expected that the first reporting will be for the 2025 financial year with reports due in 2026, impacted non-EU groups may already have to report for financial year 2023 in 2024 due to early adopting countries.

KPMG's Sustainability Services

To turn sustainability into a strategic strength, our experts help you with the following solutions:

- Business strategy
- Sustainable finance
- Business transformation
- Reporting & Assurance

Your challenges

- Performing a risk assessment based on the current transparency (CbC) profile considering, which steps may need to be taken and what context would need to be given to such data to manage potential reputational risks.
- Evaluating if the required data which the company wants or must disclose can be extracted from the current systems.
- Considering if an independent audit/assurance could/should be obtained for some or all of the data reported; at a minimum, a confirmation by the auditor is required that the EU Public CbCR report has been published.

How KPMG can help you

- Performing an initial assessment of your current CbCR profile and its associated reputation on the market and based on this, providing specific guidance and suggest specific action items to prepare for applicable Public CbCR legislation.
- Assisting with the steps required to enable the extraction of the necessary data for the EU Public CbCR from the current/future systems.
- Providing assurance on EU Public CbCR and/or data included therein.
- Providing benchmarking information.

Your benefits

- Staying aware of the EU countries' individual implementation schedules and specifics under local legislation
- Being compliant with the new EU Public CbCR directive and ensuring that data is presented and explained in a consistent and understandable manner for the relevant stakeholders
- Building trust with your stakeholders through timely disclosure of the required tax information
- Strengthening the credibility of the data by getting independent assurance on your disclosures
- Aligning all projects relating to international tax initiatives such as tax transparency reporting or BEPS Pillar II ensuring consistency and efficient use of resources

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