



Euro Tax Flash from KPMG's EU Tax Centre



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European Parliament committees endorse political agreement on public Country-by-Country Reporting

[Public Country-by-Country Reporting – Tax Transparency – European Parliament](#)

On June 14, 2021, the European Parliament Committees on Economic and Monetary Affairs (ECON) and Legal Affairs (JURI) approved the compromise text on the introduction of EU public country-by-country reporting, which was agreed upon by the Council of the EU and the European Parliament following the final trilogue meeting on June 1.

Background

In April 2016, the European Commission presented a proposal on public Country-by-Country Reporting requirements for Multinational groups headquartered in the EU with a total consolidated group revenue of at least EUR 750 million (the “public CbCR Directive” or “the Directive”)

The initiative was in deadlock due to disagreements on its legal basis, until a breakthrough was achieved in February 2021 in the Council of the EU, as a result of certain countries changing their previous position and agreeing to support the proposal. The Council and the European Parliament approved on March 3 and March 4, 2021 respectively, mandates for their respective negotiating positions in anticipation of the start of interinstitutional negotiations (so-called “trilogue”) on the Directive.

On June 1, 2021, the Council of the EU and the European Parliament, following the third trilogue meeting, announced that they reached a provisional political agreement on the public CbCR Directive – see a [KPMG TaxNewsflash](#). The compromise text was subsequently approved, on

June 9, by Member State representatives in Coreper (the Permanent Representatives Committee).

ECON / JURI vote

The [compromise text](#) of the public CbCR Directive was approved in a joint ECON / JURI meeting on June 14, 2021.

The agreed upon rules would require multinational entities, whether headquartered in the EU or outside, with a total consolidated revenue of more than EUR 750 million (in each of the last two consecutive financial years) and that are active in more than one country, to publish income tax information in each EU Member State, as well as in each third country listed on:

- the EU list of non-cooperative jurisdictions (Annex I of the EU Council conclusions on non-cooperative jurisdictions), or
- the “Grey List” list (Annex II or cooperative jurisdictions that are being monitored by the EU) for two consecutive years.

Next steps

In terms of next steps, the EU Council would adopt its position at first reading, following the standard legal linguistic check. The European Parliament is expected to approve the Council’s position after the summer recess.

Next, the Directive would be published in the Official Journal of the EU and would enter into force on the 20th day following the date of its publication. EU Member States would have 18 months to transpose the Directive into national law.

The transposition deadline and date of application therefore would depend on the date when the Directive is official adopted and published. For example, if the final text enters into force on October 1, 2021, Member States would have until April 1, 2023 to transpose the Directive into local law and the rules would become applicable from April 1, 2024. EU Member States could nevertheless choose to apply the rules earlier than the set deadline.

EU Tax Centre Comment

The compromise text includes the agreed-upon versions of several elements on which the Council and Parliament negotiation positions diverged prior to the start of the trilogue. Among others, the parties agreed to an amended “safeguard clause”, under which companies might defer the disclosure of commercially sensitive information for a maximum of five years. This represents a reduction from the six-year time frame initially proposed by the Council and does not include the Parliament’s request that local authorities should pre-approve the deferral and that Member States should transmit the omitted information, confidentially, to the Commission.

Further, the provisional agreement includes a mandatory requirement that auditors state whether an undertaking is required to report and, if so, whether the data was disclosed in compliance with the Directive’s publication and accessibility rules. The text is a compromise between the Council’s position (whereby the audit requirement was an optional provision that Member States could, but were not required to, implement) and the Parliament’s proposal to also require a statement on the content of the report.

Based on a review clause included in the compromise text, the Commission will analyze the impact of the Directive (four years after its transposition) and consider potential changes to improve its effectiveness. In particular, the Commission is expected to assess the impact of several key points that were subject to negotiation during the trilogue process, including presenting the income tax information for all third countries on a country-by-country basis, the data points to be included, as well as the impact of the safeguard clause.

The [press release](#) announcing the ECON / JURI endorsement reiterates the Parliament's position on disclosing third country data and their commitment to working towards extending the requirement to report data on a disaggregated basis in respect of all non-EU countries.

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