EUDTG Newsalert
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EU Parliament and Member States reach provisional political agreement on public country-by-country reporting for big multinational groups

On 1 June 2021, negotiators for the European Parliament and the Portuguese EU Council Presidency, on behalf of the Council of the EU (EU-27 Member States), provisionally reached a compromise deal on the EU's draft Directive on public country-by-country reporting ('Public CbCR') for big multinational groups, according to a Council of the EU's press release.

This political agreement, once endorsed, requires multinational groups or standalone undertakings with a total consolidated revenue of at least €750m, in that and the previous financial year, whether headquartered within the European Union or not, to publicly disclose the corporate income tax they pay in each EU Member State plus in each of the countries that are listed in Annex I of the EU list of non-cooperative jurisdictions for tax purposes ('the EU's blacklist') or listed for two consecutive years in Annex II (the 'EU's grey list'). There is a de minimis for groups with only a small footprint in the EU.

The public disclosures, which also cover income tax accrued, revenues, employees and more, must follow a common EU template and be presented in a machine readable electronic format. The reporting is required within 12 months from the date of the balance sheet of the financial year in question. Based on the Portuguese EU Council Presidency's proposed Council mandate which was approved by the Member States on 3 March 2021, it would appear that in-scope companies first need to make a report at the latest in relation to the first financial year starting on or after at least one year after the transposition deadline, but this will need to be clarified once the draft political agreement has been published. Per the draft political agreement, EU Member States will have (up to) eighteen months after the Public CbCR Directive's entry into force to transpose the Directive into domestic law.

The Public CbCR Directive will set out the conditions under which a company may obtain the deferral of the disclosure of certain elements for a maximum of five years. It also stipulates who bears the actual responsibility for ensuring compliance with the reporting obligation.

The EU's Council press release states that in order to avoid disproportionate administrative burden on the companies involved, and to limit the disclosed information to that absolutely necessary to enable effective public scrutiny, the Public CbCR Directive provides for a complete and final list of information to be disclosed.

The European Commission will review the application of the Directive four years after the transposition date.

Next steps
The provisionally agreed text still needs to be endorsed in a final vote in the Council of the EU on the one hand, by qualified majority, and in the European Parliament on the other, by a simple majority of members.

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Let's talk

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