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Accounting transparency

EP vote for tougher EU rules would reduce scope for unethical corporations and tax avoidance

Crucial new draft EU legislation on accounting and transparency for large companies moved a step closer to reality after a vote in the economic and monetary affairs committee yesterday evening.

One of the key aspects of the legislation is proposals on mandatory reporting for companies on their financial dealings and operations in all countries. Similar to provisions in the US Dodd-Frank Act, the aim of this is to create a clear footprint of a firm's operations, with the hope that this transparency will discourage businesses from engaging in unethical or unsustainable practices or projects, particularly in developing countries, where there is less scrutiny and regulation.

While the proposed legislation from the European Commission was an important step in the right direction, the Greens believed it could have been improved.

Green MEP **Philippe Lamberts** welcomed the vote in the economic affairs committee (ECON), which went some way towards improving the proposals. While not the lead committee, the economic affairs committee is part of an enhanced cooperation procedure, so the vote is important. The lead legal affairs committee will vote on the legislation at a later date.

Tackling tax dodging through country-by-country reporting

The main innovations in the ECON committee vote were primarily concerned with provisions on so-called country-by-country reporting, which aims to provide greater transparency with a view to clamping down on tax avoidance, among other practices.

Multinational companies of all sectors are currently not required to disclose their financial performance on a country-by-country basis although they do already have the required data for internal management purposes. This has negative consequences for revenue authorities and anti-corruption measures, particularly in developing countries, which lack the means and consequently lose out on revenue, but also within the EU, where large companies pay less and less taxes through artificial profit shifting.

Country-by-country information on large multinational corporate activities would help to this end, limiting the prospects for tax avoidance by increasing transparency, improving corporate governance and discouraging other unethical practices.

Project reporting gets thumbs-up

Crucially, the ECON committee approved proposals to ensure firms have to deliver both annual country-by-country reporting and individual project reporting. The latter is particularly essential for providing transparency for extractive industries and logging firms operating in the developing world. While these elements of the proposals are more the domain of the legal affairs committee, and its vote will be crucial, MEPs on the ECON committee today gave them the thumbs-up.

The proposals have been subject to intense lobbying from industry, which has tried to water down these provisions and scrap project reporting. Against that background, the ECON vote is an important result.

Specific project reporting is also essential - for the extractive industry sector in particular, where additional transparency is needed. Problems like conflict minerals and the resource curse have spurred calls for binding project reporting.

Increased transparency would make it more difficult for firms to engage in unethical deals in these problematic regions and would help in holding both the companies and authorities accountable at different territorial levels.

The Greens are now hoping that the legal affairs committee will back similarly tough provisions, so that the EP has a strong hand when it enters into negotiations with EU governments in Council to finalise the legislation.

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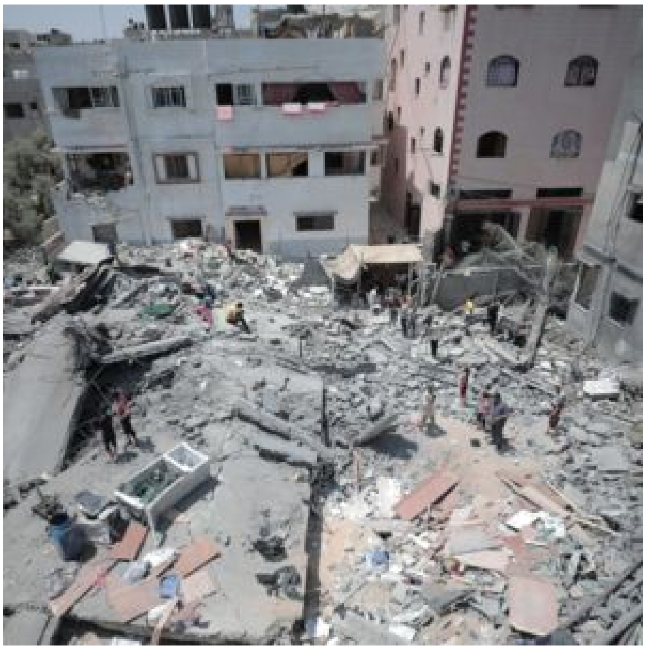

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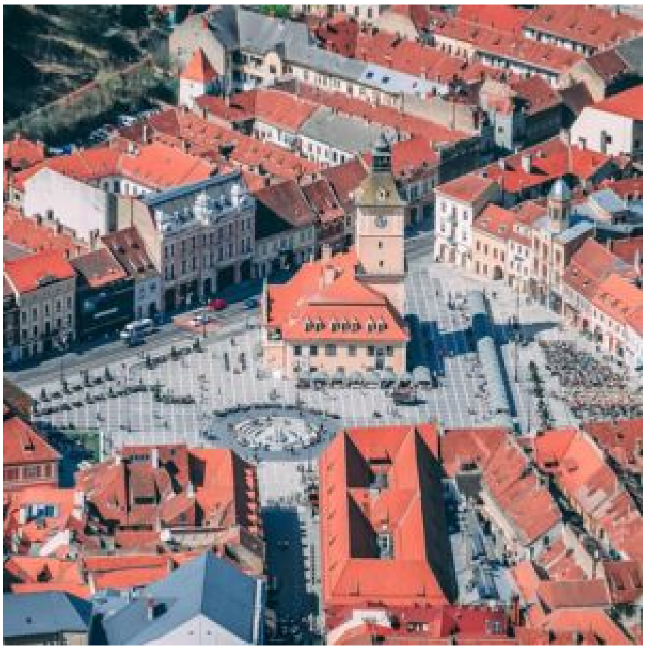

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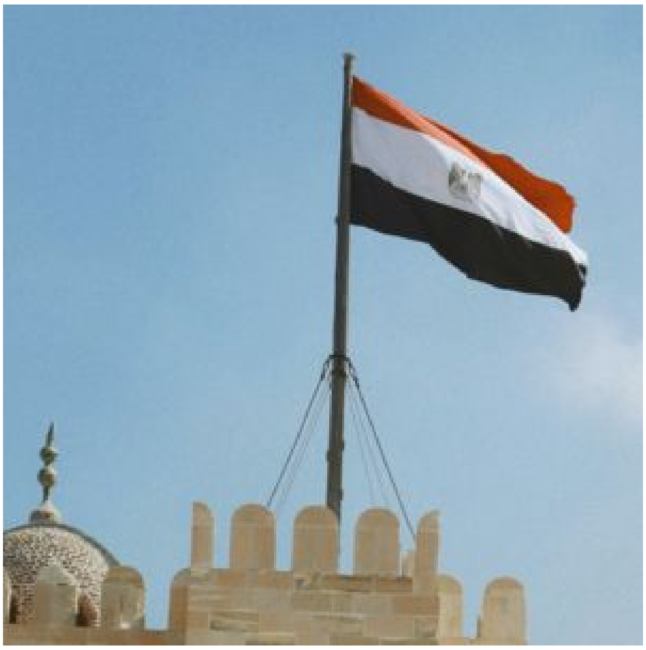

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Responsible MEPs

Philippe Lamberts

Member

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