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Final vote on tax transparency measures step forward in fight against multinational tax dodging

Today, the European Parliament has just voted for a major breakthrough in the fight for tax justice. MEPs have just adopted the directive known as public country-by-country reporting. This is a historic step towards full tax transparency of multinationals in the EU and tax havens. Under the new directive, which should come into force by mid-2023, multinational corporations with a turnover of more than €750 million per annum in two consecutive years will be obliged to declare how much they earn in profits and how much they pay in taxes where they operate. Multinationals will also have to declare how many employees they have in the EU countries, and jurisdictions on the EU's tax 'blacklist' and 'greylist' of non-cooperative jurisdictions. The measures, which the Greens/EFA Group have long campaigned for, are a key tool to tackle corporate tax avoidance and significantly improve the availability of tax avoidance estimations.

Ernest Urtasun MEP, Greens/EFA shadow rapporteur for the file in the Economic and Monetary Affairs Committee, comments:

“This agreement is a step forward, for the first time in Europe we will have an idea of how much multinationals earn and pay in taxes in the countries where they operate, and we will know if they are using tax shifting practices. This legislation will genuinely help end the unfair sweetheart deals and tax avoidance tricks that pit Member States against each other's tax systems in a rush to the bottom, at the expense of citizens.

“Public reporting will encourage multinationals to halt aggressive tax planning practices, tax dumping and profit-shifting. Not having global disaggregate data is a missed opportunity, but this agreement will cover around 80% of the profits shifted in the EU, which are primarily shifted to low tax jurisdictions inside the EU. It is a shame that certain member states have spent four years holding up this legislation in the Council. However, in four years time there will be a chance to make this legislation even tougher and we will continue to fight for tax justice.”

Heidi Hautala MEP, Greens/EFA shadow rapporteur for the file in the Legal Affairs Committee, comments:

"Tax transparency for multinationals is the first step on the way to achieve greater tax justice in Europe. Transparency is key so that citizens, journalists and public authorities can know how much companies earn and how much they pay in tax where they operate. Unfair multinational tax practices have put small and

medium sized enterprises at a disadvantage. Public country-by-country reporting can help level the playing field.

"These new rules will mean that people will know how much tax large corporations pay and where. This is a victory that shows how the EU can act on issues that people care about. It is unfortunate that the Council refused to agree to the worldwide breakdown of relevant tax data. However, we will continue to fight for the goal that all tax-relevant information of large companies worldwide is made public. This is a firm and good first step."

More:

CbCR was initially presented by the Commission back in 2016. Thanks to the efforts of the Parliament's negotiators, the final text introduces a review clause which includes the revision of these two elements after four years, as well as transposition of the directive in 18 months and the inclusion of jurisdictions on the EU's 'greylist'.
According to Tax Justice Network figures, EU member states are found to be responsible for 36% of global tax losses, costing countries worldwide over $154 billion in lost tax every year. According to world renowned tax expert Gabriel Zucman, Public CBCR would already cover around 80% of the profits shifted in the EU, which are primarily shifted to low tax jurisdictions inside the EU, such as Ireland, Luxembourg, and the Netherlands.

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