Request for prioritizing the legislative proposal on Public Country-by-Country Reporting

Dear Prime Minister Costa,
Dear Minister of Finance Leão,
Dear Minister of Economic Affairs Siza Vieira,

We, the undersigned Members of the European Parliament in the Greens/EFA group, are looking forward to the start of the Portuguese presidency. We engage ourselves to constructively collaborate with the presidency in the pursuit of much needed tax justice in the European Union. The Portuguese presidency faces six important months in the field of taxation and money laundering with ongoing international negotiations at the OECD level, a new leadership in the United States, and new Commission proposals. Although the unanimity rule in Council on taxation still jeopardizes the progress of certain key legislative proposals, inaction is not an option in the current circumstances of public budget in deep red because of bitterly needed Corona related measures. We recall that the recently published autumn forecast by the European Commission estimates that the recent spikes in deficits will lead to an euro area aggregate debt-to-GDP ratio of nearly 102%. In its World Economic Outlook the IMF suggests that governments should work on revenue raising measures through, amongst others, restoring tax fairness in corporate income taxation.

At the moment, there is one important file in Council sufficiently mature to be concluded. The legislative proposal for public Country-by-Country reporting (CBCR) has been stuck in Council and has been awaiting the adoption of a general approach since the Finnish presidency. Therefore, we would like to request your presidency to prioritize this legislative proposal at the start of the Portugese presidency. In its role as President of the Council, Portugal must take into account recent political developments with respect to the legislative proposal and enable a dialogue with the Parliament to reach agreement at both technical and political level. We, therefore, request the Presidency to ensure that the legislative proposal shall be put on the agenda of the COMPET Council. According to our information there should be now a qualified majority of Member States in support of adopting a general approach. It would be a strong signal of Portugese leadership for tax justice and responsible budget policies in Europe if your Presidency programme would name the conclusion of the country-by-country reporting file as an explicit priority.
The latest research by the Tax Justice Network shows that globally $427 billion in tax is lost every year to tax havens, while $245 billion is directly lost to corporate tax abuse by large multinational corporations. Most tax revenues are lost in EU member states, including Portugal. This and other academic research and global tax scandals show how large multinational corporations continue to conceal where they do business and how much they are paying in tax, despite the introduction of non-public CBCR. In contrast, public CBCR could effectively address the secrecy surrounding multinationals’ activities, providing policy makers, citizens, workers, scholars, journalists, shareholders, investors and tax authorities with valuable information.

Research has shown that existing public CBCR requirements for banks in the EU have already dis-incentivised profit shifting to low tax jurisdictions. Public CBCR would also provide policy makers with data, which can enable them to identify loopholes in the tax system and inform evidence-driven policy making to ensure fair taxation. And with it fair competition, where multinationals will not be able to outcompete local competitors just because of systematic abuse of taxation systems.

In the time of unprecedented health and economic crisis looming over Europe, it is imperative to ensure that everybody, including the large multinational companies, are fully accountable and pay their fair share. Although we welcome the Council’s work on taxing the digital economy and prioritizing the work at OECD level to find an agreement on a minimum tax, we are surprised to see that public CBCR receives little attention. In terms of tax transparency and tax fairness, public CBCR is a game changer to be embraced. Public CBCR should be treated with the exact same urgency and not further delayed in Council.

We are convinced that finalising the legislative proposal for public CBCR by the Portuguese Presidency would mean a key contribution for tax justice and fairness in the European Union.

Of course, as Greens/EFA, we hope the Portuguese presidency will also succeed in achieving meaningful progress on related ongoing and upcoming files such as money laundering, environmental taxation, a minimum effective tax rate, stronger criteria for the EU list of non-cooperative jurisdictions, and a comprehensive reform of the EU code of conduct on business taxation.

Yours sincerely,

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