



The President

Brussels, 1st April 2016

European Commission President Jean-Claude Juncker

Cc:

- First Vice-President of the European Commission, **Frans Timmermans**
- High Representative of the European Union for Foreign Affairs and Security Policy and Vice-President of the European Commission, **Federica Mogherini**
- European Commissioner **Jonathan Hill** for Financial Stability, Financial Services and Capital Markets Union
- European Commissioner **Pierre Moscovici** for Economic and Financial Affairs, Taxation and Customs
- European Commissioner **Neven Mimica** for International Cooperation and Development

Re: Public Country-By-Country Reporting on Tax Matters

Dear President Juncker,
Caro Jean-Claude,

I am writing to you with regard to the upcoming proposal on public country-by-country reporting (CBCR) on tax matters that the European Commission is going to make public, together with an impact assessment concerning this measure, on the 12th of April 2016.

As you know the European Parliament has been pushing for public CBCR in different occasions with wide majorities, including recently in the report on the Shareholders' Rights Directive,¹ in the report of the special committee on Tax Rulings and Other Measures Similar in Nature or Effect² and in the legislative initiative report on corporate taxation³. The European Parliament has therefore been consistently asking for an ambitious instrument in order to improve corporate transparency with regard to tax strategies and to

¹ Amendments adopted by the European Parliament on 8 July 2015 on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement ([COM\(2014\)0213](#) – C7-0147/2014 – [2014/0121\(COD\)](#)).

² European Parliament resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect ([2015/2066\(INI\)](#)).

³ European Parliament resolution of 16 December 2015 with recommendations to the Commission on bringing transparency, coordination and convergence to corporate tax policies in the Union (2015/2010(INL))

effectively tackle tax avoidance by multinationals. This instrument is, as you know, particularly important for the S&D Group.

We are therefore following with great interest the work the European Commission is carrying out regarding the impact assessment and the forthcoming proposal on public CBCR. Our political Group considers it of utmost importance to come up with an ambitious proposal that effectively takes into account the concerns and expectations expressed by citizens and the civil society for over a year following the case of Luxleaks, which has shed light on the aggressive tax strategies put forward by big multinationals.

For these reasons we are highly concerned and disappointed with the possible proposal on public CBCR which is currently under discussion in the European Commission. This draft proposal would fall short of the expectations and demands of Parliament and the citizens and would lack the necessary ambition to fulfil its aim. I would like to raise your attention in particular to two main issues of concern for our political Group.

The first one relates to the information that would be disclosed. We understand the European Commission is evaluating the possibility to request the multinationals covered by the proposal to disclose information regarding their activities and tax behaviour country-by-country solely within the European Union, while providing only aggregated data for tax jurisdictions outside the Union. This solution would be absolutely inconsistent with the requests and the proposals put forward by the European Parliament and would be unacceptable for our political Group. It would not allow to have a proper assessment of multinationals' tax strategies, or to put pressure on companies that have developed aggressive tax strategies and are shifting profits towards tax heavens. This solution would even favour profit shifting practices towards tax jurisdictions and tax heavens outside the European Union (in order to avoid the obligation to publicly report on tax payments), decreasing therefore European tax revenues. In order to tackle effectively tax avoidance and not to create discrepancies, we need public CBCR for all tax jurisdictions, within and outside the European Union.

The second element of deep concern for us is the scope of the proposal, which, according to our information, would be the same of OECD BEPS Action 13, i.e. the companies with an annual turnover higher than 750 million. This would cover about 1900 companies in the EU (already covered by the proposal for a Directive on automatic exchange of information in the field of taxation).⁴ Such a restricted scope would heavily undermine the effectiveness of the measure. The European Parliament has repeatedly asked instead for public CBCR to cover all large companies as defined in the Accounting Directive,⁵ which would account to around 20.000 large undertakings.

I am afraid that if the European Commission were to propose public country-by-country reporting with these two elements, it would not at all be sufficient, and it would not be acceptable for the S&D Group.

⁴ Proposal for a COUNCIL DIRECTIVE amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation - COM (2016) 25.

⁵ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

For these reasons, considering our strong support for public CBCR itself, I am writing to you in advance, in order to urge you and the College to take these concerns into proper account and to modify the proposal accordingly, in order to allow the S&D Group to welcome positively the approach of the European Commission on these issues. As you know, the European Commission's engagement against tax avoidance and tax evasion is of paramount importance for our Group and we, therefore, ask you to ensure that the Commission lives up to its engagements, ideals and objectives in the public CBCR proposal.

I look forward to reading you,

Best regards,
Gianni Pittela

A handwritten signature in black ink, reading "Gianni Pittela". The signature is written in a cursive style with a large initial 'G' and a distinct flourish at the end.