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European Parliament votes for corporate tax transparency but leaves massive loophole

Alessandro · Tuesday, July 4th, 2017

Transparency International EU welcomed a key vote by the European Parliament on new measures designed to improve the transparency around multinational corporations' activities, structures and tax payments. This draft legislation would require large companies operating in the EU to report financial details on a country-by-country basis. It is a step in the right direction but still leaves a 'get out clause' that will allow some companies to keep their activities secret.

"This ambiguous text tries to have it all. On one side it shows widespread support for transparency around multinationals' tax arrangements worldwide, but on the other it still leaves loopholes for corporations to shroud their affairs in secrecy," said Elena Gaita, Policy Officer on Corporate Transparency at Transparency International EU. *"Unfortunately, you can't have it both ways, we can't have corporate accountability without transparency,"* Gaita continued. *"If we want to stop corruption, profit shifting and other tax avoidance practices we need true corporate transparency in the EU and abroad."*

Members of the European Parliament (MEPs) voted in favour of the amendments to the Accounting Directive with a large majority. The draft legislation aims to improve standards of corporate accountability and promote greater tax transparency by making it mandatory for multinational groups to disclose figures such as the amount of profit made, taxes paid, revenue generated and number of employees for each country where a subsidiary operates.

Currently, multinationals report on their operations in one consolidated global report, without any way of discerning the contribution a company makes to individual countries. This measure will provide society at large with information about multinationals' activities and tax payments, shed a light on their profit shifting techniques as well as deter them from engaging in aggressive tax planning schemes. Public scrutiny of this information will allow public debate about the tax strategies of large multinationals.

The vote gives the Parliament a clear mandate to negotiate the details of this legislation with EU Member States. Transparency International EU are calling on EU Member States to make sure this basic measure of corporate transparency becomes law.

This entry was posted on Tuesday, July 4th, 2017 at 11:00 am

