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German grand coalition has a chance to make public CBCR happen

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The negotiations on EU legislation for public country-by-country reporting (CBCR), have been stalled by the EU Council. There has been a struggle to find consensus on the draft legislation which would bring more transparency to the international activities and tax payments of multinational enterprises.

This stalemate has been prolonged by the formation of the German government following elections held in September 2017, which have led to a period of political uncertainty in the country.

Due to Germany's political weight in the Council, the recent result of the German Social Democrats' (SPD) vote in favour of forming a grand coalition with Angela Merkel's Christian Democrats (CDU) could bring renewed hope for the public CBCR negotiations. The final impact on the negotiations strongly depends on the new Finance Minister, yet to be decided when the German government is formed.

Nevertheless, both members of the grand coalition, SPD and CDU, have been keen on tackling tax avoidance according to the coalition's exploratory talks. This may have a positive impact on achieving public CBCR, which would ultimately help to shed light on un-transparent practices by multinationals related to aggressive tax-planning and profit shifting.

However, time is always an issue. The upcoming European elections set a timeframe for pushing the legislative process forward. The next elections to be held in May 2019 bring a risk of major change in the European Parliament's composition, which would further complicate the process to make public CBCR a reality.

The prolonged deadlock in the formation of the Council's position has not been beneficial for the process. The Council now needs to push the draft legislation forward to finally start negotiations with the European Commission and Parliament, and reach an agreement.

After the European Commission's publication of a proposal for public CBCR legislation for multinational enterprises in April 2016, the evidence for the need of corporate disclosure has been mounting. Almost two years have passed without significant progress made, despite the fact that this legislation would have many positive effects for European governments, citizens, corporations themselves and investors.

We will soon have a chance to see if the German grand coalition is willing to stand behind its promises to show actions in favour of more corporate transparency. This would mean pushing for an ambitious position within the Council and finalising their negotiating position in a determined and prompt manner.

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