



To: Members of the Legal Affairs Committee  
at the European Parliament

6 November 2013

**RE: Country-By-Country-Reporting**

Dear Member of the European Parliament,

European companies are very concerned about recent initiatives to expand the Commission's proposal on disclosure of non-financial and diversity information to include an additional requirement of country-by-country reporting on payment of taxes to all large companies, based on the European Council's conclusions of 22 May 2013.

While being in favour of coherent tax transparency and of introduction of measures to combat corruption and tax evasion at the international level, we fear that European companies could be harmed by an obligation to publicly disclose detailed sensitive information. This could clearly place them at a competitive disadvantage to third-country companies for the following reasons:

- the publication of commercially or economically sensitive information could lead to the loss of markets (strategic information on contracts, management, results, level of profitability, etc.) and the calling into question of contracts or agreements;
- in some third countries public disclosure of this information is prohibited and in fact a criminal offence. Introduction of CBCR in this proposal will therefore expose EU businesses to conflicting rules, between EU transparency rules and rules in third countries;
- While being in favour of maximum transparency vis-à-vis tax authorities, we fear that the publication of overly detailed and complex information out of context could lead to confusion, especially without consideration of company's general operations, applied accounting standards and respective tax regimes in the relevant countries. This could result in erroneous interpretations concerning the breakdown of tax payments, possibly exposing companies to multiple taxation, without improving tax compliance in general or increasing understanding of the underlying tax issues or tax position of the specific company.

We would also like to encourage EU decision-makers to look at the regulatory developments overseas as some useful lessons can be drawn from experiences of other countries and also to ensure an international competitive level playing field. In this respect please recall the US Court

ruling of 2 July 2013<sup>1</sup> against the US Securities and Exchange Commission (SEC) over country-by-country reporting rules. The ruling required that the SEC reconsiders the transparency rules for the extractives industry interpreting Section 1504 of the Dodd-Frank bank reform act of 2010 adopted after the global financial crisis and states that the decision by the Securities and Exchange Commission was “arbitrary and capricious” in requiring companies to publicly disclose payments when that information could hurt their competitive stance, violate contracts and prove very costly. Information is to be given to the SEC, which will judge whether to make it public.

We therefore believe that the EU should not take a stand-alone approach and should focus on coordinating tax issues at international level such as the OECD/G20 BEPS Action Plan (methods for determining “transfer prices”, content and application of information exchange agreements, etc.) to promote international consistency.

We would emphasize in this regard the essential role played by the [OECD Global Forum on Transparency and Exchange of Information](#) in monitoring the implementation of exchange clauses between states. Since March 2010, it has produced 88 reports assessing some 80% of the Global Forum members<sup>2</sup>.

We appreciate the opportunity to express our views on this issue and we remain at your disposal to discuss this subject further.

Yours sincerely,



Susannah Haan  
Secretary General  
EUROPEANISSUERS



Markus J. Beyrer  
Director General  
BUSINESSEUROPE



Richard Raeburn  
Chairman  
EUROPEAN ASSOCIATION OF  
CORPORATE TREASURERS

---

<sup>1</sup> [http://www.europeanissuers.eu/\\_lib/newsflash/USSECcaseCbC.pdf](http://www.europeanissuers.eu/_lib/newsflash/USSECcaseCbC.pdf)

<sup>2</sup> See OECD Global Forum Tax Transparency Report 2012: Report on Progress