

## INCEPTION IMPACT ASSESSMENT

TITLE OF THE INITIATIVE	ASSESSING THE POTENTIAL FOR FURTHER CORPORATE TRANSPARENCY ON INCOME TAXES		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	FISMA – UNIT B3 TAXUD – UNIT D1	DATE OF ROADMAP	17/06/2015
LIKELY TYPE OF INITIATIVE	UNDETERMINED		
INDICATIVE PLANNING	See regularly updated 'List of planned Commission initiatives' <a href="http://ec.europa.eu/atwork/key-documents/index_en.htm">http://ec.europa.eu/atwork/key-documents/index_en.htm</a>		
ADDITIONAL INFORMATION			
This Inception Impact Assessment is provided for information purposes only and can be subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.			

### A. Context, Subsidiarity Check and Objectives

<b>Context</b>
<p>Base Erosion and Profit Shifting (BEPS), as defined by the Organisation for Economic Co-operation and Development (OECD) encompass tax evasion and avoidance on corporate income taxes by multinational enterprises. As this is a global issue, it calls for a global solution. This is why the G20 is strongly committed to international cooperation to strengthen the integrity of national tax systems. An action plan was endorsed by the G20 at a Leaders Summit in Saint Petersburg in September 2013 aimed at ensuring that profits are taxed where value is created. All countries are invited to engage in a coordinated and coherent response which includes the BEPS<sup>1</sup>. The BEPS initiative includes recommendations designed to enhance transparency, including the requirement for multinational enterprises to provide a country-by-country reporting (CBCR) for the attention of tax authorities. Its outcome, however, will be of a non-binding nature for Member States.</p> <p>On 18 March 2015, the Commission presented a package of measures to increase tax transparency. A key element of this Tax Transparency Package is a proposal to introduce the automatic exchange of information between Member States on tax rulings. This legislative proposal has been made by the Commission based on the experience that previous arrangements based on soft law, such as guidelines provided for in the Directive on administrative cooperation in the field of taxation of 2011, were not sufficiently binding and did not result in the expected enhancement of transparency.</p> <p>This is followed by an Action Plan in June 2015 on a "Fairer Corporate Tax System in the EU". At the same time, the Commission has initiated a public consultation intended to explore how further corporate transparency can help solve the issues at stake. The comments received will feed into the impact assessment work.</p> <p>In February 2015, the European Parliament set up the Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect (TAXE). TAXE will notably look into tax rulings, State Aid and taxation law. It intends to adopt a report with recommendations on, among other things, how to improve transparency and cooperation between Member States in this field.</p> <p>Transparency in the form of country-by-country reporting (CBCR) already exist for European financial institutions (under the Capital Requirement Directive IV – CRD IV) and for large extractive and logging</p>

<sup>1</sup> G20 response to 2014 reports on base erosion and profit shifting and automatic exchange of tax information for developing economies <https://g20.org/wp-content/uploads/2014/12/16%20G20%20response%20to%202014%20reports%20on%20BEPS%20and%20AEOI%20for%20developing%20economies.pdf>

industries (under the Accounting Directive).

Forward looking assessment of CBCR under CRD IV presented in October 2014 in the Commission Report<sup>2</sup>, shows that "the public country-by-country reporting of information [by financial institutions] is not expected to have a significant negative economic impact, in particular on competitiveness, investment, credit availability or the stability of the financial system. On the contrary, it seems that there could be some limited positive impact; however, the beneficial effects of Article 89 could be increased by addressing some elements related to the implementation of that provision."<sup>3</sup>

As regards other sectors, in 2013 the European Parliament and the Council invited the Commission to consider by 2018 the extension of the CBCR to additional industry sectors and to consider additional disclosure, taking into account developments in the OECD and the results of related EU initiatives.

The U.S. Securities and Exchange Commission (SEC) requires in Form 10-K a comprehensive summary of the financial performance of large companies with listed securities. Disclosure on taxes includes a dispatch of corporate income taxes at U.S Federal and State level, versus the total amount of tax paid at international level altogether.

#### Issue

Fighting tax evasion and avoidance in the area of corporate income tax is essential to secure greater fairness and economic efficiency in the EU's internal market, in line with the Commission's top political priorities. Moreover, there is heightened public concern about fair taxation in today's difficult economic environment, both in Europe and beyond. The fact that certain profitable multinationals appear to pay very little tax in relation to their income, while many citizens are heavily impacted by fiscal adjustment efforts, has caused discontent, threatening the social contract between governments and citizens. The digital economy poses specific challenges in terms of ensuring that taxes are paid where economic activities actually take place. In addition, harmful tax competition may have had significant impacts on companies' choices of location within the Single Market.

However, taxation is at the core of countries' sovereignty, and the interaction of domestic tax rules remains a source of discrepancies and frictions. Important efforts have been made or are being undertaken by the EU and Member States to simplify and streamline tax systems, to avoid harmful practices and improve cooperation and transparency.

An environment of complex tax rules, fiscal secrecy and non-cooperation between Member States has also allowed some companies to exploit legal loopholes in tax systems and discrepancies between national rules.

Large multinational companies have, in addition, the means to engage in aggressive tax planning thanks to their presence in multiple jurisdictions and complex corporate structures, which SMEs and natural persons typically do not have. This can lead to distortions of the EU's internal market and the level playing field between taxpayers, which have recently been subject to several State aid investigations.

It is to be examined to what extent corporate tax transparency towards authorities and/or the public can contribute to reducing the distortion of the single market by influencing the tax strategies of companies and Member States. In particular, publicly disclosing information that reveals aggressive tax planning practices poses a reputational risk for companies that might well outweigh the benefits of such practices and could therefore have a deterrent effect. However the extent to which additional transparency within the EU can address the issue has to be assessed in the context of sustained competitiveness, growth and jobs. This is to say that transparency, in case it reveals sensitive information such as business secrets, could affect competitiveness, especially if no reciprocity is guaranteed for non-EU competitors.

<sup>2</sup> [http://ec.europa.eu/internal\\_market/company/modern/corporate\\_governance\\_in\\_financial\\_institutions\\_en.htm](http://ec.europa.eu/internal_market/company/modern/corporate_governance_in_financial_institutions_en.htm)

<sup>3</sup> Commission's Report "General assessment of economic consequences of country-by-country disclosure requirements set out in Article 89 of Directive 2013/36/EU" - [http://ec.europa.eu/internal\\_market/company/modern/corporate\\_governance\\_in\\_financial\\_institutions\\_en.htm](http://ec.europa.eu/internal_market/company/modern/corporate_governance_in_financial_institutions_en.htm)

<p>When developing the BEPS approach, the OECD has determined that improved transparency can be of assistance and recommends that information must be provided only to the relevant public authorities, in order to protect the confidentiality of potentially sensitive business information. Also, the BEPS initiative would rely on a global effort to ensure a level playing field.</p>
<p><b>Subsidiarity check</b></p> <p>Thanks to an increasingly globally integrated economy and the EU's single market, corporations have grown within Europe and beyond. In particular, the EU Single Market has provided extensive opportunities for businesses to locate their activities according to their needs. By contrast, the tax jurisdictions of countries, including Member States, are geographically or otherwise limited. In fact, while corporate income taxation and capital taxation more generally have become de facto international taxes due to the mobility of the tax base, tax policy and administration remain primarily a national responsibility.</p> <p>The international nature of tax planning suggests the need for multilateral and co-ordinated actions on the part of these countries. The issue is also relevant to the Single Market given that business are free to locate their activities where it best suits them.</p> <p>For these reasons, EU action with a view to cross-border activities is justified in terms of subsidiarity. The EU may bring added value to G20/OECD transparency initiatives relating to corporate income tax by ensuring consistent implementation by Member States or through additional measures.</p> <p>In addition, the differing capacities of multinationals and SMEs to engage in aggressive tax planning lead to a substantial distortion of the single market to the detriment of SMEs. This market distortion cannot be relieved by national measures, which would only lead to further fragmentation, but calls for co-ordinated action at EU level.</p> <p>The legal basis will have to be looked at and decided after the impact assessment process and will depend on its outcome. Relevant Treaty provisions include Articles 50(1) / 50(2)(g) TFEU dealing with safeguards for the protection of the interests of stakeholders, as well as Article 114 TFEU dealing with the establishment and functioning of the internal market but which in particular is not valid for fiscal provisions (all with adoption based on the principle of co-decision and qualified majority). Article 115 TFEU on the functioning of the internal market may alternatively apply for fiscal provisions (adoption based on unanimity after consultation of the European Parliament).</p>
<p><b>Main policy objectives</b></p> <p>The overall purpose of the initiative is to explore whether and how, through corporate transparency either towards tax authorities or the public, a behavioural change can be obtained from multinational enterprises, prompting them to comply with their obligation to pay their proportional share of taxes. The main overall objectives would be tax-oriented, namely:</p> <ul style="list-style-type: none"> <li>• To increase pressure on <u>enterprises</u> to geographically align taxes paid in a country with actual profits, by enhanced scrutiny and decisions of either citizens or tax authorities ("enterprises should pay tax where they actually make profit");</li> <li>• To increase public or peer pressure on <u>countries</u> to take measures that contribute to more efficient and fairer tax competition between Member States, thus ensuring that the country where profits are generated is also the country of taxation ("Member States should stop harmful tax competition");</li> <li>• To assist <u>tax authorities</u> in orienting their tax audits in view of targeting tax evasion or avoidance, i.e. business decisions whereby tax liabilities are circumvented ("help tax authorities orientate their audits on enterprises");</li> <li>• To align <u>corporate tax planning practices</u> with multinational enterprises' own commitment / statement to corporate responsibility, such as their contribution to local and social development ("enterprises should act as they communicate in terms of contribution to welfare through taxation");</li> </ul>

- To ensure that enterprises' structures and investments are more founded on economic motivations and not exclusively on corporate tax-related motivations ("enterprises should structure their investments based on real economic reasons, not just to avoid taxes");
- To remedy market distortions based on corporate intransparency and multinational companies' comparative advantage to SMEs when engaging in aggressive tax planning ("fairer competition between multinational enterprises and SMEs")

Further transparency and a reduction of the information asymmetry between different stakeholders could allow enhanced scrutiny. This is why the introduction of further transparency mechanisms in the field of taxation needs to be examined, taking into account the need to avoid unnecessary burdens and to maintain the competitiveness of the EU economy.

## B. Option Mapping

### Baseline scenario – no EU policy change

This initiative is undertaken following the Commission package on tax transparency of 18 March 2015 and of the Action Plan of 17 June 2015 on a "Fairer Corporate Tax System in the EU: 5 Key Areas of Action". In particular, those measures aim, among other things, at revising the Common Consolidated Corporate Tax Base (CCCTB) proposal with a view to making it mandatory and improving the transfer pricing framework in the EU, which could to a great extent solve the problem of tax avoidance within the EU once it is adopted. However, the scope of this project goes further.

The OECD and G20 countries are set to complete in December 2015 a 15-point Action Plan to fight Base Erosion and Profit Shifting (BEPS). The implementation of the BEPS recommendations should lead in the coming years to legal requirements in each participant jurisdiction as well as new or revised tax treaties, possibly including multilateral instruments. However, it should be noted that the outcome of the BEPS process will not be binding and that not all EU Member states are OECD members. It is not excluded that certain Member States will spontaneously implement these measures, partly or wholly. Some of the recommendations will be connected to transparency (e.g. actions 5, 12, 13). Assuming that all G20 and OECD countries will implement BEPS action 13, very large multilateral enterprises with turnover above EUR750m in their country of residence will provide a Country-by-Country Report (CBCR) to the relevant tax authorities from 2017 onwards at the earliest, depending on the date and degree of implementation. Tax authorities may then share with other EU or third countries' tax authorities the CBCR submitted to them but can use it only for strictly limited purposes. This approach would enable a level playing field between OECD members who apply it. The OECD BEPS project however aims solely at the cooperation of tax administrations – it does not provide for any public transparency and hence will not serve the aim of increasing public pressure on companies and countries as envisaged in some part of the objectives.

Against this backdrop, it is up to the EU to consider in to what extent further action in terms of transparency can help to solve the issues at stake.

The Accounting and Transparency Directives currently require that each enterprise established in the EEA or listed in the EEA publishes the amount of tax paid at its place of incorporation as part of its annual financial statement. In addition, parent undertakings have to publish the consolidated amount of tax paid as part of the consolidated financial statement.

Specific transparency on taxes, in the form of country-by-country reporting, is already required for financial institutions as of 2015 under the Capital Requirements Directive with a view to regain trust in the financial sector. Article 89 (1) of the Directive requires the information to be disclosed, on a consolidated basis, and requires the reporting of subsidiaries and branches outside of the EU, as long as they are controlled by an institution established in the EU. This information must be broken down by Member State and by third country in which the financial institution has an establishment. Large extractive and logging industries will also have to report their payments to governments under the Accounting and Transparency Directives, starting in 2016. The directive aims mainly to allow local communities of resource-rich countries to know about payments made to their governments, so that these can be better held to account and to limit the risks of corruption.

Enterprises are also used to regularly (usually: annually) file a tax return with the relevant tax authority under which jurisdiction it is placed (usually: the national tax authority) for the calculation and payment

of corporate income taxes. Tax authorities typically do not have access to the information filed by enterprises with foreign tax authorities, except in cases where there are bilateral arrangements to exchange this information.
<b>Options of improving implementation and enforcement of existing legislation or doing less/simplifying existing legislation</b>
Not applicable.
<b>Alternative policy approaches</b>
<p>Transparency may be achieved by way of disclosure either towards tax authorities, towards the public or both.</p> <p>In terms of scope, it would seem logical to measure the extent to which large multinational enterprises should be subject to further transparency according to, for example, their size, their place of establishment, the geographical spread of their operations, or whether they have issued securities listed on a capital market.</p> <p>There is a range of possibilities in terms of the degree of detail and extent of the information that could be made available. The type of information disclosed may concern tax rulings, tax-related information and certain statements made by or information on companies. In order to ensure a level playing field, the EU could implement international initiatives such as initiatives based on the OECD BEPS.</p> <p>The more information made available, the bigger the risk that confidential information is involved. Therefore, the information made available to the public could either be aggregated and/or anonymised to a certain extent, or it could be provided in full, including in ways that would identify companies, in order to reap all the benefits of transparency. There are a number of possibilities in terms of the information or statements that could be provided.</p> <p>The onus of preparing information will in any case fall on companies. Depending on the schemes considered for the transfer and use of this information, the question of who would provide information to the public, where appropriate, will also have to be considered. Tax administrations are the primary recipients of information prepared by companies on taxes. One possibility is that they contribute to transparency in one way or another. Companies themselves may also disclose information, whether or not it is intended specifically for the public.</p> <p>Other options may have to be considered as to the extent to which information should be subject to an independent audit, the exchange of information among tax authorities, etc.</p>
<b>Alternative policy instruments</b>
<p>Many of the objectives could be achieved through the G20 Action plan to fight base erosion and profit shifting. However this depends on whether and to which degree those measures are implemented by participating countries around the globe. The OECD / BEPS initiative is a non-binding instrument which would if effectively implemented ensure a level playing field among a number of OECD member states around the world.</p> <p>However there could be room for a binding EU initiative to ensure a coherent and consistent application of the BEPS principles across the Single Market.</p> <p>On a non-binding level, the EU could encourage Member States, by ways of e.g. Communications or Recommendations to directly implement part or all of the BEPS initiatives.</p> <p>The EU may require or recommend Member States to undersign corresponding bilateral / multilateral tax treaties, taking into account the time necessary to negotiate and ratify such agreements, and may seek to act on behalf of the Member States in international negotiations.</p> <p>Some market players are also starting to consider transparency as a means to address tax fairness issues. For instance, some investors (labelled 'responsible investors') push enterprises to pay their fair share of taxes by making this a criterion of their investment decision. Some seek increased transparency on taxes by companies by, for instance, sending a questionnaire, encouraging CBCR, and/or asking for commitments on fair corporate tax policies. The leverage of such requests by investors appears to be efficient. However, they only represent a minimal portion of the investment community and their impact remains extremely limited.</p>

<p>Non-governmental initiatives such as the Fair Tax Mark in the UK have also appeared recently. The Fair Tax Mark is the label for good taxpayers. It is a non-profit organisation that brings together ethical consumers and businesses. The Mark has already been given to a few UK companies. The EU may seek to promote such market led solutions by ways of, for example, Communications, developing guidelines, labelling systems, or engaging with professional / consumer bodies.</p> <p>Finally, non-binding policy instruments may be envisaged as regards the transparency of enterprises operating in the EU. These may, for instance, seek to orientate enterprises' communication towards good practices vis-a-vis EU stakeholders, while allowing enterprises to determine the extent to which they want to implement this and letting stakeholders freely respond to it.</p> <p>As regards the question whether non-binding policy instruments can replace binding ones or should be considered in addition to binding instruments, it must be taken into account that efforts to improve co-operation between tax authorities and increase corporate transparency on the basis of soft law have been undertaken for decades, with limited results so far.</p>
<p><b>Alternative/differentiated scope</b></p> <p>While the issue is global, the EU has jurisdiction only over enterprises whose business activity is sufficiently connected to the EU. De lege lata, CBCR requirements concern companies established in the EU or with securities listed on an EU market.</p> <p>Transparency could be sought on those enterprises' operations within the EU, and / or outside the EU as long as there is a genuine link between their activities and the EU. It may prove difficult to regulate enterprises entirely established outside the EU, especially if transparency is sought on operations outside the EU. For instance, certain non-EU enterprises which have been in the headlines recently might not be subject to EU measures on tax transparency. However, how a connection between business activities in complex international corporate structures and the EU can be established will need to be examined. This would also remedy concerns related to ensuring an international level playing field for European businesses.</p> <p>SMEs are less likely to engage in multinational operations; if they do, the extent of these activities is expected to be dwarfed by that of large multinational enterprises. For this reason, SMEs should remain unaffected by any policy, though they would eventually benefit from reducing the competitive advantage of their multinational competitors. Options will also have to be explored as to the reach of any EU initiative beyond EU borders, in terms of enterprises and/or operations covered.</p>
<p><b>Options that take account of new technological developments</b></p> <p>Digital developments will be taken into consideration, notably as regards channels that would entail disclosing information to the public (web sites, public registers...).</p>
<p><b>Preliminary proportionality check</b></p> <p>The EU actions that may finally be selected will in any event be tested for their proportionality and checked against the achievable policy objectives. By focussing on the largest companies which are active across borders, the actions that may be pursued would focus on what is necessary to ensure consistency and a level playing field within the Single Market, and avoid the complexity of 28 different national approaches, whilst allowing Member States to go further if they so wish.</p>
<p><b>C. Data Collection and Better Regulation Instruments</b></p>
<p><b>Data collection</b></p> <p>A public consultation open to all stakeholders will be held in 2015.</p> <p>Further information will be gathered internally based on past impact assessments or existing staff working documents of the Commission, publicly available documents, OECD documents, etc.</p> <p>The following data is readily available:</p> <ul style="list-style-type: none"> <li>Impact assessment for financial disclosures on a country by country basis for extractive and forestry industries, 2011<sup>4</sup></li> </ul>

<sup>4</sup> [http://ec.europa.eu/internal\\_market/accounting/docs/sme\\_accounting/review\\_directives/SEC\\_2011\\_1289\\_2\\_en.pdf](http://ec.europa.eu/internal_market/accounting/docs/sme_accounting/review_directives/SEC_2011_1289_2_en.pdf)



<ul style="list-style-type: none"> <li>• Report by the European Commission and PWC study on Country-by-Country Reporting by banks in Capital Requirement Directive IV, 2014<sup>5</sup></li> <li>• Work undertaken in 2015 by the TAXE special committee set up by the European Parliament<sup>6</sup></li> <li>• Certain stakeholders' publications: Transparency International, Oxfam, Harvard Business School, ZEW, etc.</li> <li>• Work undertaken in the context of the future Action Plan on Corporate Taxation</li> </ul> <p>Data will be required in order to assess the magnitude of the problem, costs associated with certain options, as well as their potential economic impacts. As regards those specific data needs, the Commission services will rely on data collected through targeted meetings and by use of other resources if necessary.</p>
<b>Consultation approach</b>
<p>The stakeholder consultation related to this initiative will be launched on 17 June 2015.</p> <p>Transparency on tax information has been discussed to a certain extent on 13 April 2015 at a Stakeholder Meeting on the Commission Action Plan for Fairer Corporate Taxation. The Commission also intends to consult the Platform for Tax Good Governance on technical aspects at a meeting to be held on 24 September 2015.</p> <p>Finally, the Commission services may seek to gather data and facts through bilateral ad hoc contacts with individual stakeholders and representative organisations.</p>
<b>Will an Implementation plan be established?</b>
Yes, if appropriate.
<b>D. Information on the Impact Assessment Process</b>
<p>An impact assessment is being carried out. Work on this started in the second quarter of 2015.</p> <p>The Inter-Service Steering Group will meet at least three times over the period necessary to achieve that work. ISSG members include at least: SG, LS, COMP, ECFIN, FISMA, GROW, JRC, JUST, TAXUD and TRADE.</p>
<b>E. Preliminary Assessment of Expected Impacts</b>
<p>Enhanced transparency on certain tax information will assist tax administrations in their dealings with tax avoidance, especially as regards tax audits. It can be expected to result in a better alignment of the place where tax is paid and the place in which economic activities are undertaken. It may also, as the case may be, inform the public at large as regards corporate income tax in the EU, and possibly outside the EU, which can be expected to create an incentive for companies to avoid harmful practices.</p> <p>Such enhanced transparency could entail costs and resources for companies in so far as it goes beyond existing reporting and taxation obligations and requires information that is not readily available. Additional costs might as well be entailed for tax administrations. Costs are expected to derive mainly from the preparation and the dissemination of the information. The portion of costs attributable to the implementation of the OECD/BEPS initiative and other existing reporting obligations will be considered. Any potential impact on fundamental rights will also need to be considered.</p> <p>Given that the main overall objectives would be tax-oriented, there may be effects on the geographical allocation of tax bases by multinational enterprises as well as the way they structure their business. The impacts on the swift and full implementation of the G20 action plan by G20, OECD and other countries will also have to be assessed.</p>

<sup>5</sup> [http://ec.europa.eu/internal\\_market/company/modern/corporate\\_governance\\_in\\_financial\\_institutions\\_en.htm](http://ec.europa.eu/internal_market/company/modern/corporate_governance_in_financial_institutions_en.htm)

<sup>6</sup> <http://www.europarl.europa.eu/committees/en/taxe/home.html;jsessionid=E34186B2A0AD0BAEBB2F65AADD1C5FA1.node2>

<b>Likely economic impacts</b>
<p>The initiative may result in increased tax discipline and thus a realignment of tax revenues. This could possibly lead to better allocation of corporate income tax revenues among the Member States, as well as possibly in the EU as a whole versus the rest of the world, including developing countries. There may also be effects on the overall level of taxes paid by those multinational enterprises.</p> <p>A fairer level playing field for SMEs and businesses operating at the domestic level versus more sophisticated multinational enterprises may create a more competitive environment.</p> <p>The Commission services will seek to assess potential impacts on growth and jobs of the relevant options.</p>
<b>Likely social impacts</b>
<p>The public, including citizens, NGOs, investors, and the media have shown a strong appetite for this information to be made available to them, allowing them to make better informed economic decisions. A better alignment of the place where taxation is paid with the place where the economic activity is undertaken may lead to increased tax receipts available for other public interest spending in some Member States. It may also avoid shifting the tax burden on less mobile companies and on labour; this would benefit citizens and companies that do not engage in aggressive tax planning and increase the fairness of tax systems, while also improving their capacity to support growth and job creation.</p>
<b>Likely environmental impacts</b>
None
<b>Likely impacts on simplification and/or administrative burden</b>
<p>In the absence of EU action, the Member States which are members of the OECD may implement BEPS in different ways which could potentially increase complexity of the business environment. None of the options aim for simplification or reduction of administrative burden. Some of the options may increase administrative burden on large enterprises / tax authorities to some degree, while they may reduce the efforts needed to investigate tax avoidance and illegal state aids.</p>
<b>Likely impacts on SMEs</b>
<p>SMEs might be exempt from possible EU action, but should generally see benefits once the initiative results in a change of large multinational enterprises' tax management towards fairer practices and a realignment of corporate tax pressure on certain multinational enterprises with competitors operating at national level.</p>
<b>Likely impacts on competitiveness and innovation</b>
<p>Very large or large multinational enterprises may be affected. These enterprises may be structured as groups; in this case, the group's ultimate or intermediate parent will most likely be affected, provided that it is established in the EU.</p> <p>Light has been shed recently on cases involving non-EU multinational enterprises operating through branches or subsidiaries in the EU. Those enterprises, especially non-EU parent companies of groups operating in the EU, may partly or fully escape EU attempts to extend corporate tax transparency. This may warp the playing field between EU and non-EU enterprises in so far as these rely on aggressive tax planning. The Commission will carefully examine the impacts and potential imbalances in such cases.</p> <p>Actions taken by the EU alone should be carefully examined for their potential effect on competitiveness; it might lead, for example, to an un-level playing field with regards to companies in other jurisdictions/markets (e.g. US, Asia), especially if these happen to abstain from implementing the OECD/G20 BEPS recommendation, and thus influence the competitiveness of EU companies.</p>
<b>Likely impacts on public administrations</b>
<p>Tax administrations of EU Member States may be affected as well as possibly tax administrations of certain third countries.</p>



<b>Likely impacts on third countries, international trade or investment</b>
It is not clear how developing countries will welcome increased transparency by EU companies when EU companies need to publish information on tax paid in these countries, although this can certainly contribute to the fight against corruption. Consequences of EU initiatives in the area of tax transparency will also be assessed with regards to the swift and genuine implementation of the G20 action plan worldwide. In so far as an EU approach affects the business activities of multinational companies outside Europe, this may have a substantial impact on tax avoidance practices worldwide.