



Brussels, 2.8.2016

C(2016) 4663 final

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Commission proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches {COM(2016) 198 final}.

The Commission proposal forms part of a broader package of ambitious measures designed to tackle corporate income paid tax avoidance by companies, which is a political priority for the Commission. The Commission supports the international consensus to fight base erosion and profit shifting based on the OECD Action Plan and is working proactively on its implementation in the Union.

The Commission proposes further public scrutiny in the form of specific country-by-country reporting related to corporate income tax to be published by companies. This should encourage the payment of taxes where profits are made. This could also contribute to greater transparency in tax competition.

The Commission takes seriously the concerns expressed by the Bundesrat. In the impact assessment accompanying the proposal, the Commission thoroughly considered the need to safeguard the competitiveness of EU businesses. In order to avoid disproportionate effects, the Commission has proposed that the measure should only be applicable to very large multinational companies, thus avoiding unjustified burdens on smaller businesses. Besides, the information to be disclosed would be limited to what is strictly necessary. For instance, the reports would include only aggregated figures as regards operations outside the European Union, with the exception of tax jurisdictions that do not abide by tax good governance standards for which non-aggregated tax information would also have to be disclosed. Finally, the proposal aims to ensure that a company's trade secrets are not disclosed.

*Mr Stanislaw TILLICH
President of the Bundesrat
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The Commission also paid particular attention to ensure that its proposed country-by-country reporting remains in line with the standard set by the OECD Base Erosion and Profit Shifting (BEPS) Action 13, which will soon become a global standard for the preparation of confidential country-by-country reporting by multinational companies worldwide. By avoiding the multiplication of standards, the administrative burden for companies will be minimised.

Finally, the Commission believes that in order to protect the interests of all parties concerned it is necessary to apply the same transparency measures to all multinational companies operating in the single market. Therefore, a cornerstone of this proposal is to apply the same reporting obligations on subsidiaries and branches where the parent company is in a third country.

The points made above are based on the initial proposal presented by the Commission which is currently in the legislative process involving both the European Parliament and the Council in which the German government is represented.

The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*