Euro Tax Flash

TAX

EU Tax Centre

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Council of the EU approves country-by-country reporting requirements

Council of the EU – Tax transparency – Tax payments to governments

The ‘CRD IV’ package, which proposes amendments to the EU's rules on capital requirements and country-by-country reporting of tax payments by certain EU financial institutions, was approved by the Economic and Financial Affairs (ECOFIN) Council of the EU on June 20, 2013.

On the same date, the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council of the EU approved country-by-country reporting requirements for companies active in the large extractive and logging industries based in the EU.

Background

As reported by KPMG’s EU Tax Centre earlier this year (see Euro Tax Flash Issue 213), on April 16, 2013, the European Parliament (EP) approved requirements for country-by-country reporting of tax payments by certain EU financial institutions under the ‘CRD IV’ package. The package, which was launched by the European Commission in July 2011, is aimed at strengthening the regulation of the EU banking sector through tighter bank solvency and liquidity requirements.

The CRD IV Directive also introduces a cap on bankers’ bonuses and country-by-country reporting of tax payments made to governments by certain EU financial institutions. These financial institutions will be required to disclose, on a consolidated basis, annual payments made to governments, including before tax profit, taxes on profits, and subsidies received. Each institution will be required to disclose the information annually, by country in which it has an establishment (including third countries).

On June 12, 2013, the European Parliament also approved country-by-country reporting requirements for companies active in the large extractive and logging industries under the Accounting and Transparency Directives (see Euro Tax Flash Issue 215). Under the new Accounting Directive, certain companies active in the extractive industry and the logging of primary forests will be required to disclose payments made to governments, including royalty and dividend payments, but also taxes on income, production or profits of companies. Payments that do not exceed EUR 100,000 in a financial year, or that do not result from extractive and/or logging operations, do not need to be reported.

Approval by Council of the EU

During its meeting on June 20, the ECOFIN Council adopted the 'CRD IV' legislative package, which consists of a Directive on market access and prudential supervision, and a Regulation on prudential requirements for financial institutions. The new rules will replace the currently applicable Capital Requirements Directives (2006/48 and 2006/49). According to a press release issued by the Council, the rules will be published in the Official Journal before July 1, 2013 and will apply from January 1, 2014. Unless significant negative effects are identified and the reporting requirements are deferred by the Commission by delegated act, the country-by-country reporting requirements will apply from January 1, 2015.

The EPSCO Council has adopted the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. The Directive has not yet been published in the Official Journal and there is currently no indication as to the date by which Member States should implement the provisions of the Directive. In its current form, the Directive makes no mention of the financial years to which it will apply.

EU Tax Centre Comment

Although preliminary agreement between Parliament and Council was also reached on the Transparency Directive (Revised Directive on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market), this has not yet been formally approved.

Should you require further assistance in this matter, please contact the EU Tax Centre or, as appropriate, your local KPMG tax advisor.

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