

TO THE ATTENTION OF

Hon. **S. Gozi**,  
Under Secretary of the Italian Government in charge of European Affairs

Palazzo Chigi  
Piazza Colonna 370  
00187 Roma

COPIED TO

Dott. **Giuseppe Maresca**, Direttore della Direzione V - Prevenzione dell'Utilizzo del Sistema Finanziario per Fini Illegali, Dipartimento del Tesoro, MEF

Dott. **Andrea Rivera**, Direttore della Direzione IV - Sistema Bancario e Finanziario-Affari Legali, Dipartimento del Tesoro, MEF

Dott. **Marco Iuvinale**, Direttore della Direzione Relazioni Internazionali, Dipartimento delle Finanze, MEF

21 September 2015

**Re: Upcoming EU negotiations on public *country-by-country reporting* for multinational corporations under the *Shareholder Rights Directive***

Dear Hon. Sandro Gozi,

We, the undersigned civil society organisations, are writing to you to highlight the importance of the upcoming EU negotiations about public country-by-country reporting for multinational corporations.

We are strongly encouraged by the fact that the European Parliament, with a large majority, voted in favour of including public country-by-country reporting in the Accounting Directive, through their review of the Shareholders Rights Directive. The upcoming EU triologue negotiations will be a key test of whether the European Union and its member states are ready to take action and solve the fundamental problems with the corporate tax system, which were exposed in a number of tax scandals, including the so called 'Luxembourg Leaks'.

Ending the secrecy surrounding the tax payments and economic activities of multinational corporations is a crucial step towards re-establishing public trust in our tax system. By requiring multinational corporations to report publicly on key financial data on a country by country basis, governments will also dramatically increase the incentive for these corporations to pay their taxes in

the jurisdictions where the economic activity takes place and value is created. This is not only key to achieving financial stability and development in Europe, but also in the world's poorest countries, where corporate tax avoidance is strongly undermining sustainable development and the fight against poverty, and public country-by-country reporting is the most cost effective and efficient way of ensuring they have timely and low-cost access to this crucial information. Public country-by-country reporting will also help flag up corruption risks by shedding light on any special arrangements between companies and governments.

Public country-by-country reporting will also have a number of other important benefits. It enables the public to make an informed judgement about multinational corporations' contribution to society, and provides valuable information to lawmakers to help them determine whether laws need to be changed to close loopholes in the tax system. It will also help investors identify risks, make informed decisions and hold multinational corporations to account. This will in turn increase the efficiency and financial stability of our economies. Lastly, by taking this crucial step towards repairing our tax system, governments can ensure a level playing field for our domestic enterprises, which cannot compete with multinational corporations that avoid taxation by shifting their profits into tax havens.

A year ago, the European Commission and PricewaterhouseCoopers conducted an impact assessment of public country-by-country reporting for the financial sector.<sup>1</sup> The conclusion was that disclosing country-by-country reporting information “*was unlikely to have a significant negative economic impact, and could have a small positive economic impact*”. Following this finding, public country-by-country reporting was introduced for multinational corporations in the financial sector which now serves as an example on how such a policy can work.

If country-by-country reporting information is kept confidential, the many benefits outlined above will not materialise. Furthermore, it will have the practical implication that citizens and tax authorities in the world's poorest countries are unlikely to get access to the information they need to prevent corporate tax avoidance, which impacts them more relative to developed countries.<sup>2</sup>

For these reasons, we urge you to show your strong support for the proposal to introduce public country-by-country reporting for multinational corporations during the negotiations over the Shareholder Rights Directive.

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<sup>1</sup> PwC (September 2014): “*Study prepared by PwC for European Commission DG Markt following the contract 2014/S 102-177729. General assessment of potential economic consequences of country-by-country reporting under CRD IV*”.

<sup>2</sup> UNCTAD (2015): “*World Investment Report 2015 – Reforming International Investment Governance*”, p.198-203, United Nations, Geneva: [http://unctad.org/en/PublicationsLibrary/wir2015\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf) & IMF (2014): “*Spillovers in International Corporate Taxation*”, IMF Policy Paper, Published May 9 2014: <https://www.imf.org/external/np/pp/eng/2014/050914.pdf>

Yours sincerely,

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### **International signatories**

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