

European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

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Rt Hon. Jesse Norman MP
Financial Secretary to the Treasury
HM Treasury
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Public country-by-country tax reporting of multinationals in the EU

You will be aware that the EU's Council of Ministers on 25 February gave its political endorsement to a draft Directive to introduce public country-by-country (CbC) reporting of the tax affairs of the largest multinationals with operations within the European Union.¹ We understand talks are now underway with the European Parliament on the final text of the legislation.

The UK has consistently underlined the merits of public CbC reporting as part of a toolbox against aggressive tax avoidance by large companies. While the Treasury already has the power to introduce such disclosure requirements under the Finance Act 2016, the Government has been clear that it is not persuaded of the merit of the UK doing so unilaterally, not least because of the impact on the UK's international competitiveness. Your predecessor told us in 2016 – obviously in a very different political and legal context – that an agreement at EU-level would reduce “the impact on the UK's competitiveness” of new requirements for public CbC reporting, because they would be introduced by a large group of countries simultaneously. Your colleague, the Economic Secretary, also reiterated as recently as December 2020 that the Government was still pursuing a “multilateral approach” in this area.

While there is of course no suggestion that the UK would be *required* to implement any new EU Directive on public CbC reporting, it is still open to the Government to engage with the EU to seek to influence the substance of the envisaged CbC reporting disclosures with a view to a joint approach, or

¹ EU Document COM(2016), 7949/16 (37663).

indeed to introduce such an obligation unilaterally once the EU adopted its own legislation to that effect. We recognise that the scope for any such cooperation will also be influenced by the state of the wider UK/EU relationship, but focus here on the substantive merits of the policy the EU is pursuing in this area.

In light of this, we would ask you to clarify the Government's current view on the EU's efforts to introduce public CbC reporting for multinationals and the recent developments in the Council of Ministers. In particular, we would welcome information on:

- whether or not the future introduction of mandatory CbC reporting throughout the EU could allow for the UK to also introduce such a requirement (since it would take effect in a significant number of jurisdictions at the same time and therefore have less of an impact on the UK's competitiveness), and the Government's basis for that assessment;
- whether the Government has recently engaged, or is planning to engage, with the EU on the substance of its Directive, as a key international initiative on public CbC reporting; and
- if there are other international initiatives on public CbC reporting on-going which the Government believes would be preferable as the basis for the introduction of such disclosures under UK law, and if so, which.

We look forward to your response by 9 April 2021.

I am copying this letter to Mel Stride, Chair of the Treasury Committee and Kenneth Fox, Clerk of that Committee; to Lord Kinnoull, Chair of the House of Lords EU Select Committee, and to Chris Johnson, that Committee's Clerk; to Patrick Lynch and Victor Peluola in your Department; and to Les Saunders in the Cabinet Office.

CHAIR