

# European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

7 July 2021

Rt Hon. Jesse Norman MP  
Financial Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

## **Public country-by-country tax reporting of multinationals in the EU**

Thank you for your letter of 20 April on the draft EU Directive to introduce public country-by-country tax reporting for multinationals.<sup>1</sup> You will be aware that the EU's legislators reached agreement on the final text of the Directive last month. Following formal adoption, it will require increased transparency from large companies about profits booked and tax paid in each EU country, as well as in certain non-EU jurisdictions included on the bloc's tax haven list, starting in 2023.<sup>2</sup>

The Government has consistently said it would consider the introduction of public CbC transparency rules under UK law based on a "multilateral approach", to avoid "disproportionate impacts on the UK's competitors or distortions regarding group structures". In your latest letter, you appear to have gone a step further by referencing the need for a "global approach". However, you also noted that your Department was "following developments" in Brussels and would "wait to see the final version of the draft [EU] Directive before it considers any implications for the UK". We note that US lawmakers are also actively pursuing public CbC requirements under a draft "Disclosure of Tax Havens and Offshoring Act".

In your reply, you also drew attention to the separate OECD proposals for international rules on the allocation of taxable profits and corporate tax rates, which would "go to the root of concerns about the taxation of multinationals, both as to where these corporations are taxed and as to the level at which they

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<sup>1</sup> Document COM(2016) 198, 7949/17 (37663).

<sup>2</sup> Council document 9547/21.

pay tax”. The implication appears to be that agreement on the OECD proposals may, in the Government’s view, obviate the need for public CbC reporting.

In light of this, it would be helpful if you could:

- clarify if the Government is pushing for CbC transparency obligations for multinationals as part of the OECD talks referenced in your letter, and indeed whether it believes such disclosure requirements would still be necessary if there is an international agreement on “where these corporations are taxed and as to the level at which they pay tax”;
- set out your Department’s analysis of the final text of the EU Directive; and
- clarify the Government’s position on introducing public CbC reporting requirements under UK law even if there is no reference to such a measure in a future OECD agreement, in light of recent developments in the EU and the US.

We look forward to receiving your reply by 31 July 2021.

I am copying this letter to Meg Hillier, Chair of the Public Accounts Committee and Richard Cooke, Clerk of that Committee; 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**