EU rushes out corporate tax transparency law

By Alex Barker and James Fontanella-Khan in Brussels

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Big companies' tax affairs in Europe are to be opened up to greater public scrutiny with the EU rushing out a law compelling them to reveal corporate profits and taxes on a country-by-country basis.

Amid a political furore over allegations of tax avoidance by corporate-giants such as Apple, Starbucks and Google, the EU is extending transparency reforms for banks and resources groups to all large public and private companies.

At a summit on Wednesday, EU leaders ditched longstanding reservations about more intrusive reporting rules and broadly backed a shake-up that could see a law passed as soon as this summer.

The overhaul will have far-reaching implications for big multinationals in Europe, as most do not break down tax, profits, revenues and staff numbers by country. It would also pile public pressure on groups using low-tax bases such as Ireland or Luxembourg as a revenue hub for their European operations.

Michel Barnier, EU commissioner for the single market, is working on legislative options for the disclosure rules, including by amending an existing proposal from April on corporate reporting of social and environmental issues.

An alternative fast-track approach is for EU lawmakers to table amendments to new rules on accounting issues, which are almost agreed and is expected to be voted through by the European Parliament next month.

Mr Barnier told the Financial Times: "It is necessary that large companies such as Apple, Google, Amazon that we have recently spoken a lot about – but not only these – are obliged to report how much tax they pay to whom and where."

Sharon Bowles, chair of the parliament's economic affairs committee, said the change of heart from ministers to "force proper transparency" should be made law as soon as possible. The directives on the verge of being passed should be "reopened rather than waiting", she said.

Corporate tax avoidance has risen on the EU agenda in recent months after it emerged that a series of large multinationals paid little or no tax at all in many of the countries where they operate.

Yet the boldness of the latest EU transparency drive will be a surprise to campaigners and companies.

"We weren't expecting this to come up [at the summit]," said Carl Dolan of Transparency International, the anti-graft lobby group. "There was no sense that this was going to be tackled now, especially as previous efforts to force extractive companies to report on a country-by-country level were opposed [by several member states]."

Tim Cook, Apple's chief executive, defended his company's policies this week as US senators quizzed him over congressional charges that the company avoided billions of dollars in taxes on international profits.

“We pay all the taxes we owe, every single dollar. We not only comply with the laws, but we comply with the spirit of the laws,” he said.

Google’s chairman also defended the group’s tax practices after Ed Miliband, leader of the UK’s opposition Labour party, accused the US group of going to “extraordinary lengths” to avoid paying taxes.

“In the tax controversy as it’s called I think it is most important to know that Google feels very, very strongly that tax information and tax policies should be done completely transparently,” said Eric Schmidt. “With respect to the current sort of issues, I don’t think a company should decide what tax policies should be, I think governments should.”