EU Public Country-by-Country Reporting: A leap forwards

The latest development on EU Public CbCR

The EU's public country-by-country reporting (CbCR) Directive, published in December 2021, is currently being transposed into individual Member States' legislation. The latest date for this to apply is for accounting periods beginning on or after 22 June 2024 (for a December year, publication would be needed by 31 December 2026 for the 31 December 2025 year-end). However, local countries can apply earlier and determine their own penalty regime.

The Romanian Official Gazette has formally published the regulations to implement the Directive, effective for accounting periods beginning on or after 1 January 2023 (i.e. publish by 31 December 2024). This may accelerate the requirement to disclose country-by-country data for your EU-wide operations and countries in the EU black/grey list.

Why public CbCR will change the tax transparency landscape

From private data to public disclosure

The Organisation for Economic Co-operation and Development (OECD) originally adopted a form of CbCR as a high-level risk assessment tool shared privately with tax administrations. The EU Directive means this data will now be in the public domain.

Immediate action required

Member States must implement into domestic law for financial years starting on or after 22 June 2024, at the latest, with first disclosures a year after the end of the period.

If transposition does not occur ahead of the mandated timeline, businesses can expect that the additional disclosure requirements will become applicable to accounting periods beginning in 2025 and that public disclosure will be first required in 2026.

Why is public CbCR a game changer

There are increased expectations by stakeholders of companies to meet strong ESG values. Therefore, complying with the amended directive has to be considered as part of a broader consideration of your tax strategy, tax governance and ESG objectives. The extent of the required public disclosures is unprecedented for many companies, so careful consideration should be given to how CbCR data may be interpreted and, therefore, what additional voluntary disclosure may be required.

What is required under EU Public CbCR?

EU-based multinational enterprises (MNEs) and non-EU-based MNEs doing business in the EU through a branch or subsidiary with total consolidated revenue of more than €750 million in each of the last two consecutive financial years must report publicly the:

- name of the ultimate parent,
- financial year concerned,
- currency used,
- nature of the activities,
- number of employees,
- total net turnover made,
- profit made before tax
- amount of income tax due in the country because of the profits made in the current year in that country
- amount of tax paid during that year
- accumulated earnings

No regrets actions required by tax professionals

1) Collate and analyse CbC data
2) Decide on your disclosure strategy, including potential voluntary data and narrative disclosures, e.g. Total Tax Contribution
3) Enhance your underlying tax governance, which will draw scrutiny from tax authorities in light of additional disclosures
4) Develop your ESG strategy for tax

Our specialist team at PwC can support organisations in the preparation and implementation of the new public CbCR directive, as well as their broader tax governance strategy to ensure a consistent, straightforward narrative of the business is being presented.

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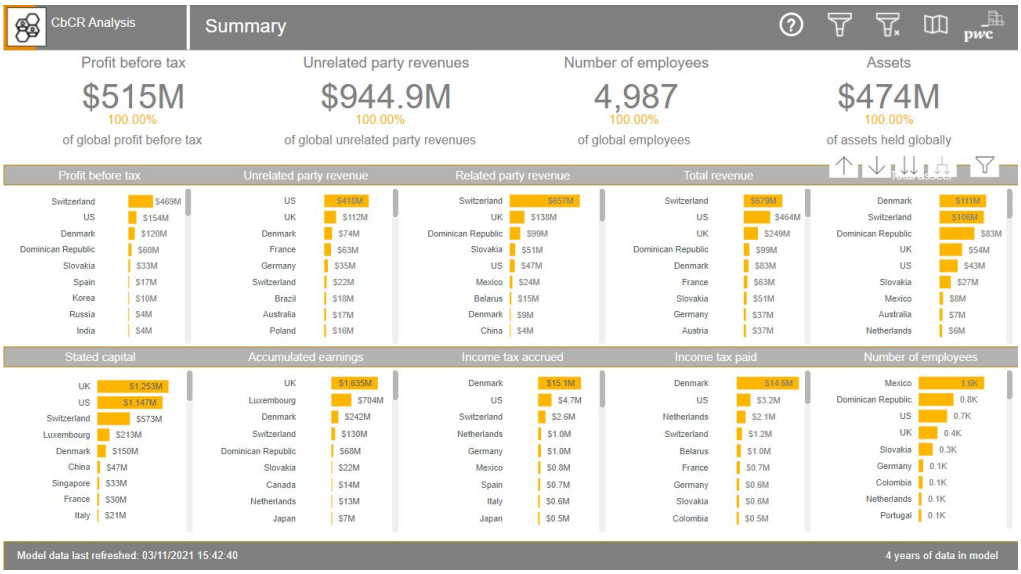
CbCR visualisation tool

Scrutinising CbCR data in a visual and engaging way is a challenge.

We have developed a tool that allows you to drill into your CbCR data to highlight anomalies and trends.

The analysis contains all of your available CbCR report data and allows you to drill down by jurisdiction, entity and business activity. It also allows comparisons between multiple years of data.



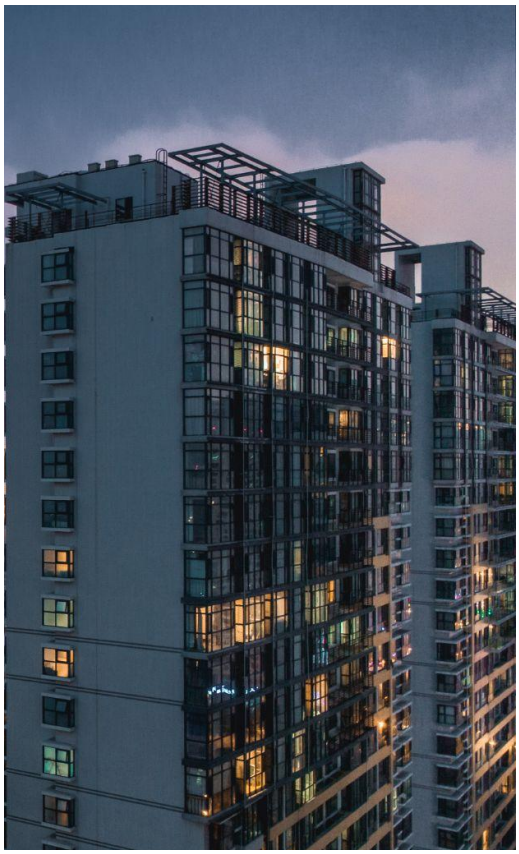
No regret actions - how we can help

Public Country by Country data collection and analysis

- **Conduct an impact assessment** of how the CbCR legislation and guidance may impact your business. **Provide** a quick **snapshot** of your **CbCR data**, as well as **highlight anomalies and trends** through our CbCR visualisation tool.
- **Use data analytics and public databases** to help you understand how your data may be interpreted.
- **Conduct deep dive reviews** and **leverage the latest tax technology** to make the collection of CbCR data more effective, efficient and ensure that it reconciles to other data (such as that collected under **Pillar 2**)
- **Utilise our guidance documents and templates**, enabling you to identify, collect, analyse and report on a country-by-country basis

Approach to disclosure, including voluntary information

- **Consider a strategy for utilising your Total Tax Contribution**, highlighting all taxes that a business pays for internal or external purposes. We will draw on our years of experience collating and analysing tax disclosures. We know from experience how important it is to consider wider voluntary disclosures to tell the whole story on tax and reduce the risk of misinterpretation by stakeholders.



Enhanced Tax Governance Framework to support disclosure

- **Support** developing and designing your **Tax Control Framework**, which will be required to ensure a monitored approach to tax compliance and enable you to publish information and statements on tax with confidence.
- **Perform ongoing testing and review of processes and controls** to satisfy the requirements of legislation and guidance.

ESG strategy for tax

- **Design a Tax ESG Framework tailored to your organisation** using our Tax ESG Management Maturity Model (T3M).
- **Design a relevant internal and external stakeholder communication strategy** and incorporate stakeholder expectations into the strategy.

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