

Corporate governance: MEPs vote to enforce tax transparency

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Large firms and listed companies should have to disclose information, country by country, on profits made, tax paid on profits and public subsidies received, said MEPs on Wednesday in amendments to draft rules intended to boost transparency and foster shareholders' long-run commitment to companies. They also want to empower shareholders to vote at least every three years on directors' pay policy.

"The vote is an important step forward in order to steer companies and investors towards long-term oriented decision making and to ensure more transparency in the governance of European companies and engagement of institutional investors and asset managers," said the rapporteur, Sergio Cofferati (S&D, IT), after the vote.

"The approved text contains important instruments to fight tax evasion and tax avoidance, in particular a country-by-country reporting obligation which would ensure that multinationals openly declare the taxes they pay in each country they operate in. We cannot miss this opportunity, in particular after Luxleaks and other scandals," he added.

New country-by-country tax reporting requirement

MEPs inserted a requirement for large undertakings to publish information country by country, on profits or losses before tax, taxes on profits or losses and public subsidies received. Public interest entities, including listed companies and insurance firms, as well as companies designated by member states as public-interest entities because of their significant public relevance, should also be required to do so, say MEPs.

Shareholder say on director's pay

Parliament wants the rules to enable shareholders to vote at least every three years on a listed company's remuneration policy for directors. However, it says member states should be allowed to decide whether the vote on remuneration policy by the general meeting of shareholders is binding or advisory.

The company's policy on directors' pay should explain how it contributes to the long-term interest of the company and set clear criteria for awarding fixed and variable remuneration, including all bonuses and benefits, says Parliament. The value of shares should not play a dominant role in the financial performance criteria and the share-based remuneration should not represent the most significant part of directors' variable remuneration, MEPs add.

Next steps

Press release

The text, as amended by Parliament, was approved by 556 votes to 67, with 80 abstentions. MEPs decided not to close the first reading, but instead to enter into informal talks with member states with a view to seeking agreement on the final version of the legislation.

Note to editors

The proposed revision of the shareholders' rights directive, which aims to increase transparency and encourage long-term shareholding, includes provisions to ensure that listed companies can identify their shareholders and transparency rules for proxy advisors (who give voting recommendations), asset managers and institutional investors, such as pension funds and insurance companies. It also includes provisions to increase the transparency and influence of shareholders on "related party" transactions (e.g. between a company and its management, directors, controlling shareholders or companies of the same group).

According to the European Commission, only 13 member states currently give shareholders "a say on pay", either through a vote on directors' remuneration policy and/or in a report. Only 15 member states require disclosure of the remuneration policy and 11 require disclosure of individual directors' pay.

Facts

- According to the Commission, only 13 member states currently give shareholders "a say on pay", either through a vote on directors' remuneration policy and/or in a report.
- Country-by-country tax reporting
- Who: large companies and public interest entities, such as listed companies and insurance firms
- What: profit or loss before tax; tax on profit or loss; public subsidies received
- How: specifying by member state and by third country

Further information

- Adopted text will be available here (click on 08.07.2015)
: <http://www.europarl.europa.eu/plenary/en/texts-adopted.html>
- Video recording of debate (click on 07.07.2015)
: <http://www.europarl.europa.eu/committees/en/juri/home.html>
- Video of the press conference (08.07.2015, at 15h)
: <http://www.europarl.europa.eu/ep-live/en/other-events/schedule>
- EbS+ (07.07.2015)
: <http://ec.europa.eu/avservices/ebs/schedule.cfm?sitelang=en&page=3&institution=0&date=07/07/2015>
- Audiovisual material for media: <http://audiovisual.europarl.europa.eu/Assetdetail.aspx?ref=l106135>

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