



Press release

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Study on country-by-country reporting: Online publication of business secrets weakens family businesses and threatens BEPS process

The Foundation for Family Businesses opposes mandatory publication of sensitive corporate data. "Publishing business secrets online weakens companies and contributes in no way to fair corporate taxation", says Prof. Rainer Kirchdörfer, a member of the Executive Board of the Foundation for Family Businesses. Governments should agree with the course embraced by the German Federal Ministry of Finance and forestall the EU's plans.

This finding has been confirmed by a study on country-by-country reporting (CbCR) online, which was conducted on the foundation's behalf by Prof. Christoph Spengel from the Centre for European Economic Research (ZEW Mannheim). "A detailed analysis of the implications of CbCR reveals that the cost to companies of public reporting will outweigh the overall benefits", Prof. Spengel writes.

The European Commission intends to obligate internationally active companies with revenues of more than €750 million to publish sensitive corporate data online, for example about profits and tax payments for each country. Foreign companies only have to disclose this data if they have subsidiaries within the EU. The European Parliament was in general agreement with these plans.

Yet in the process, the European Commission goes beyond previous international agreements to foster fair corporate taxation. It had been agreed as part of the OECD's BEPS initiative that corporate information should be exchanged confidentially between tax authorities. Germany has already implemented these rules as national law, while other states, such as the United States, lag behind.

The EU's solo effort is having a counterproductive effect on the BEPS process agreed upon by the OECD. If in future tax authorities from non-EU countries are able to access data from European companies without any service in return, they will not be motivated to take part actively in the BEPS process. "Hence the mutual exchange of data will become virtually superfluous from the third countries' point of view", the study concludes.

The obligation to publish business secrets online would injure many family businesses in Germany, as they have to compete with companies that do not have to adhere to the EU's transparency requirements. The companies affected would face a significant competitive disadvantage if their internal information circulates in the internet.



The Foundation for Family Business demands that the European Union concentrate on implementing the rules agreed on by the OECD. "What we need now is the symmetrical implementation of the internationally agreed OECD decisions", Prof. Kirchdörfer says. "Additional unilateral disclosure obligations for EU companies would undermine the success of the BEPS process."

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