AmCham EU
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

Our position

Understanding public country-by-country reporting

American Chamber of Commerce to the European Union
Speaking for American business in Europe

Avenue des Arts/Kunstlaan 56, 1000 Brussels, Belgium • **T** +32 2 513 68 92
info@amchameu.eu • amchameu.eu • European Transparency Register: 5265780509-97

Executive summary

As many companies publish their first Public Country-by-Country (pCbC) reports, lawmakers and other stakeholders should acknowledge the original purpose of these reports as high-level risk assessment tools for tax authorities, the limit on their comparability, and avoid drawing conclusions based on them alone. Lawmakers should take this opportunity to consider opportunities to simplify pCbC reporting in view of a fragmented implementation process.

Introduction

30 June 2026 marks an important milestone in the implementation of the EU Public Country-by-Country Reporting (pCbCR) Directive. For the first time, many multinational enterprises with a 30 June financial year-end will be required to publish information under the Directive.

As stakeholders and policymakers begin to analyse and interpret the newly available data, **it is important that they do not misinterpret it. Data within a pCbCR report should be understood within the context of the specific reporting rules defined by the EU Directive.**

Since 2017, non-public country-by-country reporting has been provided by large multinational enterprises on a confidential basis to tax administrations around the world. Country-by-Country Reporting was agreed by OECD Inclusive Framework countries as a tool to enable tax authorities to perform a high-level risk assessment of multinational companies. Now, with the EU's pCbCR Directive, it is important for the public and policymakers not to misinterpret the data in these reports. As with any data set, understanding the intent, basis of reporting and resulting impact on comparability and analysis is critical to consumers of the data.

Public country-by-country reporting requirements

Public CbCR is provided using specific requirements that lead to a defined set of data that may not be aligned with other financial reporting required by large multinational corporations.

First, the EU's approach to revenue includes both related-party and unrelated-party transactions, without the elimination of intra-group transactions. This differs from consolidated financial reporting, where intra-group transactions are eliminated. As a result, total revenue reported in a public country-by-country report can significantly exceed the revenue reported in a company's audited consolidated financial statements. This makes direct comparisons with publicly reported financial information difficult and can result in misinterpretations of the scale of activities in individual jurisdictions.

Similarly, key financial indicators disclosed in a pCbC report can also be misinterpreted. Profit figures are based on defined accounting standards and do not necessarily correspond to taxable profit. Accrued taxes exclude deferred tax expense, which is a critical element of total tax expense reported in financial accounts. Likewise, cash taxes paid in a given year may reflect payments relating to prior years, audits, disputes, settlements or timing differences rather than current-year tax liabilities. As a result, apparent relationships between profits and taxes paid may not accurately reflect a company's actual tax position or its effective tax rate in a particular jurisdiction.

The annual nature of the reporting can further distort interpretation. One-off transactions, restructuring activities, acquisitions, impairments or other exceptional events may materially affect reported figures in a particular year, masking the underlying economic reality and long-term tax contribution of a business.

The basis of pCbCR may differ across jurisdictions

Similarly, **pCbC data does not provide a strong basis for comparison between companies and countries. Comparisons based solely on pCbC data can be incomplete or misleading.**

pCbCR is based on financial reporting data and accounting standards that can differ across jurisdictions. For example, EU-based multinationals may report data based on international accounting standards whereas US-based multinationals may report data on US Generally Accepted Accounting Principles. In addition, different business models, organisational structures and accounting treatments may therefore produce materially different outcomes, even where underlying industries or economic activities are similar.

In addition, differences between pCbCR regimes globally reduce comparability even further. For example, the EU and Australian pCbCR frameworks contain important differences in scope, methodology and disclosure requirements, making comparisons across jurisdictions challenging and potentially subject to misinterpretation.

Drawing the right conclusions

Due to the pCbCR Directive's reporting requirements, **stakeholders and policymakers should be cautious when drawing conclusions about multinational business operations and the resulting corporate income tax behaviour**. Using pCbCR data to inform policy decisions may lead to incorrect policy outcomes due, in part, to the data reporting limitations described in this paper.

Policymakers should use this milestone to reflect on the value and design of the pCbCR Directive and consider ways to streamline filing requirements, formats and timing. pCbCR data should only be evaluated within the context of the specific reporting requirements included in the EU Directive. Simplification and greater harmonisation of implementation should therefore be a priority moving forward. Consumers of pCbCR data should keep in mind the specific requirements that define what is included in pCbCR reporting and, importantly, the basis on which the data is reported.