

What the IASB did on segment reporting

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I mentioned earlier this week that the International Accounting Standards Board had the chance to do [something amazing this](#) week.

I'm sorry to say they didn't take that opportunity. What they did do can be summarised as follows, which comes from the website of [IASBplus](#):

The Board discussed issues raised by the Publish What You Pay campaign related to disclosures at the individual country level. Many Board members were sympathetic to the campaign's objectives (transparency with respect to payments to governments in resource-rich countries, which are often less developed countries.) However, the Board noted that it was not appropriate to attempt to address their concerns in this project, which was a tightly-focused convergence project.

The Board agreed that the campaign's request was a legitimate and serious one, and one to which the Board should be responsive. The Board established a sub-group of the Board (Messrs Cope, Garnett and Gelard) to assist the staff in engaging the campaign and others that could be of assistance. As the matters raised by these constituents were political as well as technical, groups that should be involved include the IASCF Trustees, the International Public Sector Accounting Board, the International Monetary Fund and its agencies, the World Bank, IOSCO, and the Financial Stability Forum.

Let me be clear, what follows is my opinion on what happened at the meeting of the IASB, and I was there. It does not represent the opinion of anyone else for whom I have commented on this issue.

I am, of course, pleased that the IASB agreed to take this issue forward. In essence the following were agreed at the meeting:

- * This issue is important;
- * Accounts disclosure can make a contribution to the development and corruption

agenda;

- * The information that has been requested does not only suit this purpose, but is decision useful (the criteria of importance used by the IASB) for investors, analysts and for macroeconomic analysis as well.
- * The issue should therefore be addressed;
- * It is likely that disclosure of payments by companies in the extractive industries to particular, sensitive governments should be considered a priority for disclosure, and that the normal IASB for addressing this issue should be suspended in view of the importance of the issue

For a proposal that was just about the first thing to ever develop out of the friendship between John Christensen and myself, and which when I first wrote it was just a pipe dream, this is great news.

But it's not enough. What has not been agreed, although it is clear that some members of the IASB do understand the importance of these issues, is that the proposed disclosures should cover:

- * All countries;
- * All industries;
- * National and sub-national payments;
- * The tackling of transfer pricing issues by those countries that would not otherwise have the ability or resources to do so;
- * The tackling of tax haven corruption;
- * The assessment of risk from intra-group transactions for external stakeholders.

The [proposal that I wrote](#) for PWYP and which was submitted to the IASB did all these things; it was not restricted to a narrow focus of the extractive industries and a few, more corrupt countries of the world. Some members clearly understood the wider issue, some are clearly opposed to the proposal altogether. There is much to debate.

The challenge for those in development is this. They can back the limited objectives of disclosure of payments to government in the extractive industries in a limited range of countries where corruption is deemed to be more prevalent than average, or they can recognise that tax is a much bigger concern for development in general than that.

The practical difference is this. Proving that £10 of tax has been paid and correctly accounted for upon receipt is important and shows that internal corruption is not taking place in the recipient country. If, however the proper amount of tax due was £100 the limited disclosure of tax paid in isolation by upstream extractive companies to a limited range of countries will have no benefit in disclosing that fact. For the broader development agenda proving that the right amount of tax has been paid is critical.

Quite clearly dialogue with the IASB has to start now, but so too does dialogue with the development community who have backed PWYP. I doubt many would accept the limited option as their outcome of choice if they knew a better possibility was available. The Tax Justice Network has a critical role to play in advancing the broader agenda.

Technorati : [development](#), [iasb](#), [tax](#)