

Accounting for tax

Published: January 14, 2026, 8:50 pm

In the USA the Federal Accounting Standards Board has ruled that its publication [FIN48](#) will apply to all accounts beginning after 15 December 2006. That's good news because FIN 48 is called "Accounting for Uncertainty in Income Taxes". What it does is require companies to disclose if they have doubt above a certain level as to whether they will get the tax reliefs they have claimed in their accounts.

This measure has been, I think universally opposed by business and the large firms of accountants. [The Tax Justice Network](#) was one of about three providers of letters in support, another being [Senator Carl Levin](#). There's good reason why we do support this measure (even though it has been watered down since the exposure draft was published). That reason is that tax risk is transferred from companies to shareholders, and is a game played by companies in opposition to the State. I'm not making this up. When [PWC surveyed tax directors](#) only 71% thought of them what they did was done in the interests of shareholders.

This means that the games these people play impose a cost. A cost to society, no doubt. But a cost to shareholders too. Vodafone proved that. It's non-disclosure of £2 billion of tax risk hit it hard when it came out. The [loss of almost 11% of its value](#) in a day made it hard to believe that its [published tax policy](#) was being fulfilled:

The objective of the Vodafone tax department is to maximise shareholder value in relation to the taxation consequences of all aspects of the Group's business activity

So, this measure forces companies disclose the risk in their tax figures. There is, however, a problem in it. As my work on '[Mind the Tax Gap](#)' showed, there's a lag effect in tax reporting. Companies in the UK almost always restate their tax figures, downwards. In other words, they're willing to wait to book the benefit of what they're doing until the certainty of getting the benefit is increased. There's no other reasonable interpretation for this. If that's done the booked figures won't disclose the risk. So FIN 48 disclosure might be avoided.

Put simply therefore this measure is far from radical enough. It's a welcome step. I

applaud it. we need it in Europe. It will reduce shareholder risk. It may prevent some schemes being done, but I'll cover what really needs to be done in the next day or so.