Ernst & Young get country-by-country reporting wron..

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Ernst & Young have published their latest “Tax policy and controversy briefing: A quarterly review of global tax policy and controversy developments”. On page 13 they say:

Country-by-country reporting concept attracts attention
At the Berlin [OECD] meeting, a report which advocates the introduction of country-by-country reporting by multinational companies received some attention. The report, Country-by-Country Reporting: Holding multinational corporations to account wherever they are was authored by the Task Force on Financial Integrity and Economic Development, a global group of civil society organizations. It was reported that at the Berlin meeting of ministers there was interest in the concept by Sweden, Norway, Belgium and Korea.

While some commentators agree that an additional reporting requirement of this nature may bring increased transparency
in the area of transfer pricing in developing countries, there is a broad consensus in the business community that it would create an additional, expensive compliance burden.

In a response to the Country-by-Country Reporting paper, the Oxford University Centre for Business Taxation in a paper
titled Tax evasion, tax avoidance and tax expenditures in developing countries:

A review of the literature concluded, among others things, that “…the available knowledge on tax revenue losses in developing countries caused by tax evasion and tax avoidance is very limited. This is partly due to the lack of data and partly due to methodological shortcomings of existing studies. Some of the existing estimates of tax revenue losses due to tax avoidance and evasion by firms systematically overestimate the losses. Other studies are based on assumptions which are so restrictive that the results are difficult to interpret. Overall, it is fair to conclude that most existing estimates of tax revenue losses in developing countries due to evasion and avoidance are not based on reliable methods and data.”

This publication will continue to monitor and bring updates on this issue.

There are several things to note. First the publication referred to, which I wrote, is *available here*.

Second, I know that Ernst & Young are the Big 4 firm most opposed to this. I don't know why.

Third, there is no evidence that this will create "an additional, expensive compliance burden". It might actually offer considerable advantages — not least because the Board of a company might actually look at the efficient allocation of resources and activity between states — which is not possible at present because of the impact of IFRS 8. (And yes — I do mean it's not possible because if the Board receives country by country data then IFRS 8 requires it to be published — and because almost no one does it means by default that most boards have no idea what is going on anywhere — and think what that means for corporate governance). I therefore challenge the broad consensus argument — and have been to investor meetings where the exact opposite ahs been said.

Fourth — the Oxford paper does not once refer to country-by-country reporting. It is not an issue they considered. I know. I have spoken to the authors in person and they were wholly unaware of country-by-country reporting (which is some measure of how ill-informed they are). But E & Y deliberately conflate the issues — quite inappropriately. Not least because if they thought for just a moment they'd realise country-by-country reporting would provide much of the data needed to resolve the deficiencies Oxford claim they have found.

Fifth — what a surprise E & Y supports Oxford — they too fail to disclose the conflict of interest they have when commenting on this issue.

All in all — a very scrappy, misleading and inaccurate report from E & Y. Which is about what I'd expect.