

f we had country-by-country reporting we'd know who wa...

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[The Guardian reports:](#)

The Treasury minister David Gauke is urging companies to "explain the story" after public protests about the amount of [tax](#) paid by big businesses.

"We could have a better-informed debate if businesses were willing, perhaps, to be more transparent about the tax they pay... and explain the story behind the figures," Gauke will tell the Institute of Directors.

There is a simple way to do this. It is called country-by-country reporting. It is a new system of accounting for multinational corporations. Country by country reporting would require disclosure of the following information by each multinational corporations in its annual financial statements:

1. The name of each country in which it operates;
2. The names of all its companies trading in each country in which it operates;
3. What its financial performance is in every country in which it operates, without exception, including:
 - It sales, both third party and with other group companies;
 - Purchases, split between third parties and intra-group transactions;
 - Labour costs and employee numbers;
 - Financing costs split between those paid to third parties and to other group members;
 - Its pre-tax profit;
4. The tax charge included in its accounts for the country in question split as noted in

more detail below;

5. Details of the cost and net book value of its physical fixed assets located in each country; 6. Details of its gross and net assets in total for each country in which operates.

Tax information would need to be analysed by country in more depth requiring disclosure of the following for each country in which the corporation operates:

1. The tax charge for the year split between current and deferred tax;
2. The actual tax payments made to the government of the country in the period;
3. The liabilities (and assets, if relevant) owing for tax and equivalent charges at the beginning and end of each accounting period;
4. Deferred taxation liabilities for the country at the start and close of each accounting period.

Sales information will also require additional analysis. If sales too any state are more than 10% different from the figure from any state then data should be declared on both bases so that there is clear understanding of both the source and destination of the sales a multinational group makes.

In addition, if the company operated within the extractive industries we would also expect to see a full breakdown of all those benefits paid to the government of each country in which a multinational corporation operates broken down between these categories of reporting required in the Extractive Industries Transparency Initiative .

The proposal requires this information be disclosed for all jurisdictions - without exception - in which a multinational corporation operates. Anything less will not do or transactions might be lost to view. Importantly, this does not require each country to agree to this disclosure since it is suggested that the requirement should be imposed by an International Financial Reporting Standard

If we had this information we'd know the answers that David Gauke wants provided. We'd know where banks recorded their profits, where they recorded their tax liabilities and where they actually paid them. And where they did not as well.

And it's not a fanciful request. The European Union is considering the use of country-by-country reporting now. So is the International Accounting Standards Board, if only for the extractive industries. And the OECD is also reviewing it too.

Yes, I must declare an interest: I created the concept of country-by-country reporting, but that's not the issue. This is an idea whose time has come. It provides the information that is so very obviously now needed about the operations of multinational

corporations.

David Gauke is reported to oppose country-by-country reporting based on information I have received. And yet it is exactly what he is demanding from banks. Isn't it time he, and other ministers here and elsewhere demanded country-by-country reporting? Without it data on tax paid is meaningless because we have no idea what the profit it is paid on might be. With it tax payment information and much more becomes highly meaningful.

Of course that is what corporations are frightened of. Accountability terrifies them.

But that makes country-by-country reporting exactly what we need, now.

There's more information on country-by-country reporting [here](#), [here](#) and [here](#).