

# Ernst & Young concede the case for greater tax transpar...

Published: January 13, 2026, 10:01 am

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Ernst & Young issued a report yesterday called '[Tax Transparency: Seizing the initiative](#)'.

Put bluntly, the report says that there shouldn't be a legal requirement to deliver [country-by-country reporting](#), the accounts reporting system I created a decade ago and which would require that all multinational corporations publish a separate profit and loss account (or income statement) for each and every country in which they operate.

I have not read the full report yet - so I will write again when I have. I [have read the press release](#), which says:

*"Lack of tax transparency has become firmly linked in the public's mind with aggressive tax planning," says Dixon. "And, with only six of the FTSE 100 specifically stating that they use no artificial or aggressive tax structures in their report and accounts, it's perhaps understandable to see how this has happened."*

*"It's clear to us that the UK has reached a tipping point and organisations can no longer ignore the calls for greater disclosure. Greater transparency provides an opportunity for companies to tell their stakeholders, from their customers, to politicians and shareholders, about their tax policies and their contribution to the economies in which they operate. We are actively advising our clients to embrace the issue proactively, rather than waiting for legislation to be imposed," he adds.*

So let's be clear then, Ernst & Young concede that the case I, the Tax Justice Network, Christian Aid, Action Aid, the Task Force on Financial Integrity and Economic Development, the TUC and others have made for decade has been right all along: the case for tax transparency has now been won.

And then they say:

**70% of tax professionals against country by country reporting**

Country by country reporting of tax payments has already been adopted by the extractive industries and, with support from the EU, is also set to become a requirement for banking entities. However, many organisations are concerned that mandatory enforcement of raw country by country reporting requirements across all sectors would add little, if any, understanding of their tax affairs and could create an administrative burden, whilst also publishing information that could potentially be commercially sensitive or misinterpreted. For example, a recent Ernst & Young survey in the UK, where over half of the respondents were heads of tax, revealed that 70% of tax professionals were against country by country reporting.

First then, let me make the glaringly obvious point that if 30% of those most likely to oppose country-by-country reporting - those who would have to comply - now support it then the case for it has in fact been overwhelmingly made.

Second, the release is wrong and I am sure E & Y know it: the EU has not required country-by-country reporting for the extractive industries (unfortunately). It is only requiring disclosure of limited amounts of tax payment data, although for banks what is being demanded is much closer to country-by-country reporting.

Third, tax is not the sole reason for country-by-country reporting: there [\*\*are ten reasons that I identify here, so to limit the case to just tax is far too narrow a focus.\*\*](#)

**Fourth, to argue that admin is a burden is absurd. Indeed in the next paragraph of their release E & Y say:**

*"We aren't in favour of a one size fits all approach", says Dixon. "The concept of tax transparency will mean different things for different organisations. Companies will need to form their own views on additional voluntary disclosure and how to get their messages across appropriately. But we are confident that the benefits of building greater trust with stakeholders will far outweigh the cost and resources needed for greater tax transparency."*

In other words, they themselves dismiss the admin burden argument.

So we're down to commercial confidentiality. Well, very politely, that's an absurd argument. A company operating in just one country when publishing its results discloses all it does in that place. Why should a multinational corporation enjoy commercial confidentiality not available to its local competitor? The only explanation available for this argument is the preservation of the monopoly rights of multinational corporations that grant them competitive advantage over smaller companies, and that is a precise and very good reason why they should be forced to disclose - to create a competitive level playing field for all business. E & Y should be ashamed of themselves for putting forward such an anti-competitive argument.

As E & Y conclude:

### **Greater tax transparency inevitable**

“If there isn’t a step change in the level of voluntary reporting it seems likely that mandatory changes will inevitably follow. By seizing the initiative now, organisations can help shape a workable outcome and start to rebuild the public’s trust in UK business,” concludes Dixon.

I welcome the fact that E & Y have conceded that change is now inevitable. I just deeply regret the fact that they are working so hard to ensure that the world's 99% cannot benefit from it by using, in effect, the patronising argument that we will not understand what country-by-country reporting will say. For that reason I hope David Cameron ignores all they said when they visited him to present this report yesterday.

I am also open to meet him any time if he wants to hear the real story of what this is all about.