Ernst & Young's paranoia about country-by-country repor...

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The following paragraphs come from Ernst & Young's new report on tax transparency:

In making the decision in terms of what to disclose, the range of information that can fall under the 'tax transparency' banner is broad. One approach is country by country reporting of tax payments, an approach creating concern for some organisations. In its raw form, it is seen by many as complex, burdensome and still not necessarily the panacea to improved transparency. For example, country by country reporting does not directly inform stakeholders about whether an organisation has or has not adopted aggressive tax positions, albeit positions that are within the letter of the tax law.

Still, as a recognised reporting concept, adopted by the Extractive Industry Transparency Initiative, the influence of country by country reporting has begun to extend and it is now supported by the EU and set to become a requirement for banking as well as extractive entities. Country by country reporting has also been proposed at a territory, rather than sector, level by the Australian Treasury.

The floodgates are, however, not yet open. Any further regulatory developments, in the EU at least, will take a number of years. This suggests that the development by organisations of alternative tax transparent reporting approaches such as increased narrative disclosure and more informative rate reconciliations **may yet stem the tide on country by country reporting**. Alternatively, voluntary adoption of a more refined version of country by country reporting may allow organisations to create a balanced, workable framework that meets the concerns of stakeholders.

Either way having better quality data and information internally seems to us to be a pressing need.

The highlighting is my own, but what it shows is the paranoia of this firm about something so simple - a profit and loss account that would expose what each multinational corporation does in each country in which it operates.

And as for the excuses - that it would not disclose who has adopted aggressive tax positions - that's extraordinary! Because an accounting report does not disclose the nuance of an aggressive tax planning scheme then the accounting should not occur. On this logic no multinational corporation should report anything - because no existing reporting does that either.

Ernst & Young admit in their report:

In our view, the debate around ‘fair tax’ has raised the bar in terms of the expectations of the level of tax information provided by multinational companies and we expect the response will be a greater degree of disclosure by many organisations. Indeed, the debate is progressing at such a pace that it is difficult to envisage an environment where increased tax transparency in some form or another is not on the near horizon.

It really is time they smelt the coffee.