

The obstacles to country-by-country reporting

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Lee Shepherd argues [in Tax Analysts today \(paywall\) with regard to the Base Erosion and Profits Shifting report that:](#)

Country-by-country reporting.

[Pascal] Saint-Amans explained that the OECD will develop a technical protocol for this reporting. There is reason to be cynical about what the OECD will allow to be reported. Reportable items will include where a company makes its profits, where it pays taxes or is liable to tax, and where it makes its sales.

There is no good reason to restrict country-by-country reporting to tax administrators, except that multinationals and the U.S. government want it that way. Most multinationals are publicly traded -- and exempt from LOB clauses in U.S. treaties on that basis. They file publicly available financial reports. They have no legitimate privacy interests.

Are their taxes a trade secret? Is how much income they earn in a particular country a trade secret? If tax planning is so important to these companies' business and earnings per share -- it really is for some of these companies -- then shareholders should wonder how the business is being run. And indeed, what the business is.

I added the emphasis, and it is telling. What we clearly have are two obstacles to progress here. The first is the corporate lobby - who clearly do not wish to be accountable and argue that us poor users of accounts would not understand country-by-country reporting data if we got it - and, second, we have the US government.

Why the US government. Firstly to support US corporations. Second, because in their tax system all that matters is whether income is received in the US or not - so in their binary world view where else it is in the world matters very little. And third, because right now they see any demand for tax reform as an attack on the tax practices of their big IT companies, which, of course to some extent it is.

I think Lee's analysis pretty close to spot on. And what will be offered is we don't get more is something that will add little to understanding. Which, of course, is exactly what the corporations want.