Funding the Future

No surprise: big business does not like the accountabil...

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The indefatigable Tom Bergin at Reuters has been sifting through the submissions to the OECD on its transfer pricing documentation, of which I made one. Amongst other things he's found:

Business groups were cool on a proposal tabled in June by the Group of Eight (G8) leading developed economies, that companies should provide information to tax authorities on their earnings and tax payments on a country-by-country basis.

The idea was that greater transparency would help tax authorities - especially those in developed nations which lack the investigative resources of richer nations - to spot when companies were shifting profits out of their countries, and thereby avoiding taxes.

But business groups including Britain's Confederation of British Industry, the United States Council for International Business (USCIB) and French employers' body Medef, expressed concerns that business would face unreasonable administrative burdens and risked having confidential commercial information leak out to competitors.

"*Because of these concerns, we suggest that the OECD ought to consider alternatives to country-by-country reporting," wrote William Sample, chairman of the tax committee at USCIB, whose members include Microsoft and Exxon Mobil Corp*

These objections reflect those of Ernst & Young (for example) who argued earlier this year that lobbying may "yet stem the tide on country-by-country reporting".

There is, of course, no surprise in this apparently co-ordinated response from big business. Country-by-country reporting deliberately holds global business to account locally (I know; I designed it). They don't like or want that for three reasons.

First, they could be held responsible by the communities who give them their licence to operate and responsibility is not part of the big business lexicon.

Second, this proposal is intended to beat profit shifting by major companies. Many of the companies objecting do, of course, profit shift and their advisers make good fees by assisting them to do so.

Thirdly, and perhaps in some ways most importantly, country-by-country reporting would provide the information required to ensure that there were really competitive markets in the allocation of resources between business to ensure that the best user of that capital could use it to best effect. This would deliver the benefits market systems can supply and it would also ensure that the cost of capital was reduced because investor risk would also fall if more information on what countries did where was available to markets. Companies are therefore being anti-competitive in defence of their monopoly profits when opposing country-by-country reporting.

I'll be at the OECD in Paris in November to argue all three points.