

The UK's hypocrisy on country-by-country reporting is r...

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In the Lough Erne G8 declaration last year the UK promoted issues on tax and transparency. As a [result that declaration said](#) (para 25):

Comprehensive and relevant information on the financial position of multinational enterprises aids all tax administrations effectively to identify and assess tax risks. The information would be of greatest use to tax authorities, including those of developing countries, if it were presented in a standardised format focusing on high level information on the global allocation of profits and taxes paid. We call on the OECD to develop a common template for country-by-country reporting to tax authorities by major multinational enterprises, taking account of concerns regarding non-cooperative jurisdictions. This will improve the flow of information between multinational enterprises and tax authorities in the countries in which the multinationals operate to enhance transparency and improve risk assessment.

The UK's position on country-by-country reporting would appear to have been clear: it was for it. But since then the UK has done just about everything it can to oppose country by country reporting both in the European Union and at the Organisation for Economic Cooperation and Development. Yesterday as a curious side-effect of [the debate in Parliament on the Fair Tax Mark](#) we learned why. David Gauke, The Exchequer Secretary, [said in that debate](#):

I will make three points. First, the UK believes that there is a need for greater transparency. There have been discussions about that issue in the G8, in particular about the UK Government's proposal that companies should provide information about where their activity takes place and where they pay tax.

So he acknowledges the commitment made, but then:

I will not digress for long on this point, Mr Howarth, but a year or so ago I had a meeting at Euston tower with the HMRC officials who deal with transfer pricing matters. They said it would help them to have a relatively simple form to provide information about the companies into which they enquire so they know where those companies make

their profits and where they pay tax. The officials said it would help them to have high-level information that could tell them, for example, that a high proportion of profits were being transferred to a low-tax jurisdiction. They said that type of information would enable them to assess risks and determine where to put their resources. That conversation and others resulted in our proposal for the high-level tool.

So in other words, he wants transparency, but not a lot of it. That, to be polite, is quite absurd. They acknowledge all the benefits of the design of country-by-country reporting but then would rather not have too much of it. Gauke offers the real political explanation:

Secondly, we want to ensure that we have the information that can help HMRC to make risk assessments and know where to focus its efforts. However, we want to do so without in any way compromising our desire not to impose unnecessary burdens on businesses and not to create a whole lot of bureaucracy that does not necessarily help tax authorities much.

This is the "would you awfully mind giving us a little bit of data, if that's OK with you, to keep the critics happy, you know" approach to tax collection that is rampant in HMRC. First, country-by-country reporting would help tax authorities a lot. Second, once you demand information on profit by territory (and the OECD template does) then the obligations has been imposed, like it or not, for all data since profit is a residual of other transactions, not a figure in its own right. Thirdly, to suggest there are significant costs is absurd: if companies are not preparing data on this basis now then they are failing to maintain proper books and records for accounting purposes because they would not have an idea where their tax liabilities might be arising, and that is a breach of the rules concerning internal controls both in UK company law and in the US's Sarbane Oxley provisions.

But then Gauke made his most pernicious comment:

The hon. Lady may not have much sympathy with our third point, but the long-standing position of the UK Government—under all parties—is that tax is principally a matter for member states. We have concerns about a tax measure being included in a non-tax directive, thereby undermining the competency of member states in direct tax matters.

This is absurd. [Country-by-country reporting is not and never has been](#) just about tax, and anyone with the slightest understanding of the issue would know that it is actually about corporate transparency and accounting which has an incidental taxation advantage. But, despite this the UK has used the tax excuse to block an advance in European corporate accounting transparency that was heavily backed by the European Parliament and by the Commission.

So much for a government that believes in transparency: that claim was an exercise in pure hypocrisy that has now been revealed. As ever, the interests of the City of

London come first, and that is why, no doubt, country-by-country reporting has been opposed.

Lough Erne always seemed too good to be true. Now we know it was.