

Funding the Future

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The OECD has this morning [published suggested mechanisms for the sharing of country-by-country reporting data](#). The [detail is here](#).

The core idea is that all country-by-country reporting data will be supplied by a group to its parent jurisdiction which will then have to share it with other countries involved. There are then three methods offered for doing that:

- * via Multilateral Convention on Administrative Assistance in Tax Matters,
- * via a bilateral tax treaty or
- * via a Tax Information Exchange Agreements (TIEAs).

The problem is immediately apparent, and is how the data gets from a parent jurisdiction to a state who needs it when none of these structures is in place - as is still very common for many developing countries. The OECD admits this. They say:

*in case a jurisdiction fails to provide information to a jurisdiction meeting the conditions for receipt of such information because (a) it has not required CbC Reporting from the Ultimate Parent Entity of such MNE groups, (b) no competent authority agreement has been agreed in a timely manner under the current international agreements of the jurisdiction for the exchange of the CbC Reports or (c) it has been established that there is a failure to exchange the information in practice with a jurisdiction after agreeing with that jurisdiction to do so. Jurisdictions are encouraged to expand the coverage of their international agreements for the exchange of information, which will be an integral part of the ongoing monitoring process. These aspects have been reflected in a guidance note on the implementation of transfer pricing documentation and country-by-country reporting in February 2015 (hereafter the “[February 2015 Guidance](#)”). **It is recognised that developing countries may require support for the effective implementation of CbC Reporting.***

I added the emphasis, but what the OECD by even having to admit this is that they have failed in their task. We know this because this country-by-country reporting requirement is the result of the Lough Erne summit of 2013, which I observed, [where it was said in the final communiqué that](#):

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.

This communique requires delivery to developing countries: no conditions are attached.

And it requires that multinational corporations report to tax authorities, not a singular authority.

As it is the result is that many tax authorities will not get the information they need to "effectively to identify and assess tax risks" whilst just one tax authority will have the right to ask questions on the country-by-country reporting return of an multinational corporations, the rest having to do so through cumbersome, time consuming and wasteful information exchange treaties.

It's hard to see how the OECD could have done more to subvert the G8's will.

In which case the demand for this data on public record will just gather pace.