Tax reporting is improving slowly but is that despite t...

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PWC has published their review of tax reporting in 2014 FTAS 100 accounts. The results are refreshing, and show marked trends in the direction of travel that I would wish for. In fact, even the agenda that PWC uses reveals how far the arguments that I and the Fair Tax Mark are promoting are advancing.

The Fair Tax Mark concentrates on five issues at this level. They are:

* basic disclosures on the business (most of which relatively easily complied with but provide comparison with smaller entities where that is not necessarily the case)

* tax governance, and its disclosure

* country-by-country reporting

* disclosures on tax due and payable, including deferred tax, with a particular emphasis on tax reconciliations

* tax avoidance, with an emphasis upon the use of tax havens as a proxy for such behaviour.

PWC seem to have adopted a remarkably similar approach. So, they start by commentary on general disclosure by companies, where they note that the companies approach to tax was disclosed in some way by 56 of those surveyed, or over half of the FTSE100, an increase from 49 companies in 2013. It is still surprising, however, to note that about half this disclosure is outside company accounts given the significance of the issue.

Tax governance is, in my opinion, of even more significance given the risk that it exposes many companies to in the modern commercial environment. Despite this PWC found that only 50 companies provided some details of their tax governance procedures, which was an increase of 13 compared to 2013. Interestingly PWC say:

Stakeholders tell us that they are increasingly looking for confirmation of whether companies have appropriate governance systems and controls in place. They are *particularly interested in whether tax strategy and risks are discussed outside the tax department.*

For once PWC and I are in agreement.

What we are not in agreement about is the disclosure of a company's so-called Total Tax Contribution, which is the absurd so-called accounting system that PWC created to quantify the total amount of taxes generated by a company and contributed to the public finances. This disclosure, for which no supporting information is disclosed to provide any indication of the scale of significance or appropriateness of the payments made, is in fact a simple exercise in corporate politics undertaken with the hope that big numbers will stymie any call for additional tax payments by large companies. 40 companies provided some information about their Total Tax Contribution according to PWC, an increase of 16 companies from 2013. PWC''s anti-country-by-country reporting campaign has gained some traction it would seem, for this is fundamentally what this disclosure seeks to avert.

Nonetheless country-by-country reporting (which is a term PWC do not use, referring to geographic reporting instead despite country-by-country reporting not being in comm0n usage) remains the subject of PWC disdain. As they note the issue remains:

on the agenda for governments and regulatory bodies worldwide. There is increasing focus on whether tax provisions and payments of large multinationals reflect their commercial operations in each jurisdiction where they operate.

Despite this they found that 25 companies are currently providing some breakdown of their taxes around the world, either by region or by country. This increased by 3 since 2013. It is likely that the increase is due to compulsory reporting by banks and extractive industry companies, but SSE did it voluntarily, of course, as part of its adoption of the Fair Tax Mark. In the circumstances the increase in numbers appears rather small and I, candidly, doubt the accuracy of PWC's reporting on this issue given their hostility towards the issue.

Finally, PWC note some progress an an issue the Fair Tax Mark so far only suggests to be desirable, which is a reconciliation of cash tax to the tax charge. 14 of the FTSE100 gave a numerical or a descriptive explanation for the difference between these two measures of tax. I welcome this.

But I also note PWC place no emphasis on tax havens and tax avoidance, nor are they looking for better narrative explanation of tax paid as the FTM does. One has to wonder why. The chance that PWC are still an obstacle to progress on this issue does seem to be far too high. It is overdue that accountants realised that it is their job to account, but so far that seems to be a recognition beyond their comprehension. What I really look forward to is the day when that changes.