Funding the Future

The fight for country-by-country reporting is under way...

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Almost thirteen years ago I created country-by-country reporting. It was done in all innocence. It was written in answer to a question from John Christensen (who, for asking the right question get's a full share of the credit in all this) about how transfer mispricing by multinational corporations could be identified and curtailed. This is not the sole reason for wanting country-by-country reporting, as the linked document demonstrates but it is the one that has resulted in the OECD adopting country-by-country reporting as its new standard for reporting by multinational corporations to their tax authorities.

OECD adoption was, however, only one step on the way for country-by-country reporting: implementation by the member states is the next step and here, as the Guardian noted yesterday, there is a major obstacle to progress in the form of the USA:

Well-resourced rightwing lobbyists are agitating in Washington for a final push against the G20 tax reforms. Led by the National Association of Manufacturers (NAM), they particularly want to block so-called country-by-country reporting (CBCR). Under CBCR, basic business data, broken down by geography, will be submitted privately to tax authorities around the world. It will provide tax offices with valuable anti-avoidance intelligence, and is heralded as the most significant single measure to come out of the reform programme.

But the NAM says CBCR will force US groups to divulge "sensitive, proprietary business information" to foreign powers, and should be stopped or watered down. Several influential Republicans, including Orrin Hatch, chair of the Senate finance committee, and Charles Boustany, chair of the ways and means committee — have rallied to their cause.

I am biased, but I agree with the assessment that country-by-country reporting is the most important gain from the OECD BEPS process.

And no wonder US companies are opposed to it. They have, because of the absurd nature of the US corporate tax system, been able to accumulate $2.1 trillion offshore whilst the annual cost of corporate tax avoidance may be $240 billion according to the

OECD.

So this is a struggle about the rightful control of wealth.

And it is struggle about the rule of law.

It is also about the right to tax once, and I stress, once only.

And since the data is not going to be on public record as a result of this process then it is not about privacy at all, not that I think a corporation that only exists by permission of the state has anything like the same right of privacy as an individual.

What I can say with certainty though is that if the US does not comply with the requirement to introduce country-by-country reporting then US groups of companies will in any event be forced to comply in other states: the powers to make them do so are being taken in many jurisdictions.

All of which means that whilst I can say (because I know) that country-by-country reporting was not intended to be a battle front for the testing of such issues, it always had the possibility within it. And now it seems that it will be at the frontier on these issues.

I hope country-by-country reporting wins: I am willing to go to the US to support the cause of it doing so.