

The need for Tax Reporting Standards

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I have, for some time, argued that there is a need for Tax Reporting Standards. Indeed, I could fairly argue that [my 2003 proposal](#) for country-by-country reporting might be considered the first such Standard.

This summer KPMG proposed such standards in a document entitled [Developing a Common Framework for Disclosing Tax Information](#). This they are now proposing should be the basis for wider discussion at a meeting on 10 December organised by the [Covi think tank](#), which they fund. I will be attending, but I can say in advance I have three considerable difficulties with what they suggest.

First they say:

A prescriptive 'one size fits all approach' is not the right way to proceed with transparency.

Or to put it another way, they are not committed to a framework, let alone a standard, and are instead saying that whatever a company wants to disclose is good enough. I clearly do not agree: that fails any test of what is good accounting.

Second, they say:

It is key that no information should be disclosed if this would either impact an organisation's competitive position or be otherwise commercially sensitive.

So, not only do companies not to have comply with a standard, whenever they have inconvenient information they would rather hide KPMG think that wholly permissible. The likelihood is that the majority of information that most people would want from companies would not be disclosed and this 'framework' then becomes a CSR programme equivalent to the 'greenwash' of old with which everyone became so bored because it was so irrelevant to real reporting need. Call it 'taxwash' for short.

And, third, they say:

The purpose is to give stakeholders an understanding of where profits are earned and taxes paid.

But they quite explicitly do not talk about endorsing country-by-country reporting on public record.

As suggestions go then KPMG's falls way short of any acceptable mark for any such template, framework or standard and so I decided it was time to summarise what I think the approach should be to this issue. I have done so [in a document that lays out \(in bullet point format\) the case for introducing Tax Reporting Standards](#). As I say in the summary to the paper:

This paper argues that:

- * There is a growing and unsatisfied demand for data on the tax affairs of companies;*
- * The International Accounting Standards Board (IASB) does not define its obligations in a way that lets it set standards that might meet this demand;*
- * Since the IASB says that those requiring data that its standards are not designed to meet must look elsewhere for that information it is suggested that the time to create Tax Reporting Standards (TRS) has arrived;*
- * Tax Reporting Standards are necessary as to be useful accounting data must be:*
 - * Consistent;*
 - * Comparable;*
 - * Comprehensive;*
 - * Comprehensible;*
- * Voluntary disclosures cannot meet these expectations: standards to ensure that these expectations are met are, therefore, essential;*
- * Tax Reporting Standards should cover:*
 - * Large companies;*
 - * Smaller companies;*
 - * Government reporting on taxation;*
- * This paper only covers large company disclosures and suggests that TRS be issued to cover required disclosure on:*
 - * Company ownership;*
 - * Company location;*

- * *Company management;*
 - * *What each component of the entity does;*
 - * *The entity's attitude towards tax, risk and lobbying;*
 - * *Country-by-country reporting;*
 - * *Quantifiable tax risk;*
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- * *The process by which TRS might be created is suggested.*

The paper is, of course, for discussion at this stage, but I hope to share it with a wide range of interested parties, including those attending at the Covi meeting, but that is just the starting point. It is my belief that unless we have such standards four things cannot happen.

First, we cannot reclaim the right to set accounting standards in the public interest, which has been abandoned to the International Accounting Standards Board, who so narrowly define their remit that they do not undertake that task.

Second, we will continue to see prevarication and obfuscation of the sort KPMG are offering, which does not take us forward in any meaningful way but distracts a lot of attention on the way.

Third, the asymmetry of data on this issue in financial markets will continue at cost to us all.

Fourth, we get no closer to securing the data we need to properly appraise this issue.

We cannot afford any of these outcomes and that is why I believe that this is a new issue around which those seeking tax justice need to coalesce.

Constructive comments are welcome, of course.