

We don't just want country-by-country reporting to hold...

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George Osborne [has said he wants greater transparency in international tax](#) and so appears to be backing country-by-country reporting for the first time. If he really means it (and we will wait to see on that) this is good news. But it would be wrong to think that country-by-country reporting is just about tax transparency. I've always argued that it is a reporting system that addresses a range of issues:

- * **Transparency matters.** In many countries a corporation does not have to put its accounts on public record. That means that what an MNC does in that country is not a matter of public record. That matters both for the country itself and at a global level. What MNCs do has enormous implications for the well-being of the world: country-by-country reporting overcomes this problem. It puts all MNC activity 'on the record'. Responsible investors, as well as the public, appreciate such transparency.
- * **Corporate social responsibility (CSR) matters.** CSR is about the relationship between a company and its host community. This requires that the host community knows the company is there, and knows what it's doing there. Country-by-country reporting provides that information.
- * **Accountability matters.** A company cannot be accountable unless it can be identified. This means that the names an MNC uses locally must be on public record. Too often they are not. Country-by-country reporting names local subsidiaries.
- * **Trade matters.** At least 60% (and maybe more) of world trade is intra-group. Current accounting reports from MNCs completely exclude such trade from public view. Country-by-country reporting shows it all. This is vital if trade relationships are to be understood and made fair.
- * **People matter.** MNC accounts include statements on the number of employees a company has and their aggregate remuneration. Country-by-country reporting would require this statement for every country in which an MNC operates. This would provide invaluable information on labor conditions.
- * **Tax matters.** MNCs have more opportunity than any other group in a society to plan their tax affairs. They can seek to shift their profits from country to country to find the

lowest overall bill. Country-by-country reporting discloses the profits that companies record in each country in which they operate and the taxes that they pay on them. This means they can be held accountable for what they do and do not pay.

* **Corruption matters.** The extractive industries are dominated by MNCs. The Extractive Industries Transparency Initiative seeks to hold those companies to account for the tax payments they make, and the governments that receive those payments to account for what they do with them. Many MNCs resist such disclosure because of competitive pressure, contractual obligations, and local political opposition. Country-by-country reporting would overcome these objections by requiring such reports from all companies, significantly enhancing transparency in this sector, and help cut corruption.

* **Development matters.** Developing countries lack revenue to finance public goods and services. Aid helps alleviate this problem but has the potential to create dependency, reduce democratic accountability of developing country governments to their electorates, and itself contribute to corruption. Local declaration of economic activity by MNCs with the resulting accountability for taxes paid could help break this cycle and assist in creating fully independent, accountable governments capable of raising their own tax revenues.

* **Governance matters.** Many of the major corporate scandals of recent times have involved extensive use of offshore subsidiary companies. These are becoming increasingly common in MNCs, and it is recognized that they pose serious governance issues for MNCs themselves. This results in increased risk for shareholders, employees, local communities, and even national governments that may depend on the MNC's operations.

* **Where you are matters.** Some countries are politically unstable. If a company trades there, shareholders should know. Some are politically unacceptable. If an MNC trades there, civil society should know. Some countries are subject to sanctions, making trading there illegal. Where you are matters. Country-by-country reporting holds a company to account for where it is.

We don't just want country-by-country reporting to hold Google to account.