

# The UK's country-by-country reporting regulations look ...

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The UK [published its final country-by-country reporting](#) regs for tax purposes last week. They do, unfortunately, include this provision:

**5.-(1)** “United Kingdom country-by-country report” means a report which-

- (a) relates to-
- (i) a United Kingdom Entity; and
- (ii) where applicable, the Constituent Entities in respect of which the United Kingdom Entity is required to prepare Consolidated Financial Statements or would be so required if its equity interests were traded on a public securities exchange;

Let me explain what I think this regulation means. First, and obviously, country-by-country reporting for tax will apply to any UK based group. That is welcome.

Second, it will only apply to the UK subsidiaries of any non-UK based group that trades here and then only if there is a UK parent of the UK entities that the group owns. Now as a matter of fact to have a UK parent of all the UK entities owned by a foreign group that has subsidiaries in this country is rare: I know because I have spent years of frustrated time looking for such UK based parents when they simply do not exist. Which means that, in effect, the UK is applying country-by-country reporting on a voluntary basis to the UK operations of overseas multinational corporations trading in this country. The timidity is typical of HMRC who whenever they can back down to multinational corporations seem to do so.

Compare this with Australia and China. There the rules are very different. The expectation is, in effect, that a subsidiary of a multinational corporation trading in those countries will, whether they like it or not, submit the country-by-country reporting return for the group as a whole if it is not available any other way to the local tax authority. That seems reasonable to me.

All the UK does is make the case, yet again, for public country-by-country reporting because right now the new UK tax rules are, to be polite, toothless in the case of abuse. I do wonder why we have to put up with this.

***NB: thanks to Prof Sol Picciotto for discussion on this issue***