

# The EU is not demanding country-by-country reporting to...

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The European Union is claiming this afternoon that it is going to demand country-by-country reporting from European multinational corporations in the future. How do I know? Because it is going to publish this:

I have to report that this is not true. As [the person who created the idea of country-by-country reporting](#) I can tell you that what they are suggesting is nothing like a system worthy of the country-by-country reporting name.

This is what is being proposed (in summary):

So what is missing? Let me offer a long list:

- \* There is no requirement to list all the jurisdictions in which the multinational corporation works. This is ridiculous. Of course they know where they work. Why not say so?
- \* There is no requirement to publish the names of all the subsidiaries working in each jurisdiction. Why not? There is an obvious need to be able to identify a company were it trades.
- \* The turnover figure includes both third party and intra-group sales but will not split them - so we have no idea how much tax risk there is in the intra-group transactions
- \* Why not employees pay as well as their number?
- \* How is net profit before tax calculated? Is it the figure in the group accounts for the jurisdiction or is it the local consolidated total. We are not told
- \* Tax paid is a nebulous number. We need a split between the current and deferred tax charge and then tax paid
- \* Accumulated earnings is I suspect meant to be a proxy for investment but ignores

share capital and it would be vastly better to have data on tangible capital

But worse:

- \* We will have no data on developing countries who are meant to benefit from this disclosure
- \* The USA has killed all disclosure for anywhere outside the EU
- \* The EU has a very poor track record in preparing tax haven lists
- \* If a tax haven is part of a larger state - as Gibraltar is part of the UK for EU purposes - then it appears data will not need to be disclosed for it. This will also apply in the Netherlands
- \* Most tax haven data will not be disclosed under these rules
- \* We will simply not be able to use this data to extract useful data from the accounts - and we will not even know if the information we will get will usefully reconcile with those accounts

There are other weaknesses - I am off to Sky to discuss them on air now.

But this is a disaster in the making that is, I suspect, designed to undermine the credibility of country-by-country reporting.

And yes, I am angry. Just for the record. This is the financial world denying people what is needed in the public interest. And this is no longer acceptable if society is to survive in anything approaching a democratic or accountable form.