

# More campaign wins: accounting and the Big 4 accountant..

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I have already noted one campaign win today, but like buses these come along in groups these days. There were more wins from the plenary session of the EU parliament that adopted the report of the Panama Papers committee this week. I have relied for the following analysis on the report of the [GUE / NGL summary](#) of the hearing and admit I am focussing in particular on the issues where I had input as a result of the work I did for that group with Saila Stausholm on the Big 4 firms of accountants (Deloitte, EY, PWC and KPMG).

In the report Saila and I wrote we argued that:

*In an era where transparency is seen as fundamental to accountability it is inappropriate for the world's leading auditors to be almost wholly opaque on their operations and to provide no effective reporting on their own activities when they play a fundamental role in the regulation of global capitalism. To counter the risk that these structures impose on society we suggest that firms organised in this way:*

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*Should be defined as being under common control, and so are single entities for group accounting purposes within the European Union;*

\*

*Should be licenced as single entities for audit and taxation purposes throughout the European Union;*

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*Should be required in due course to separate entirely their audit and other professional services but until this is possible should be required to ringfence the two from each other worldwide as a condition of being licenced to provide such services in the EU;*

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*Should, as a condition of those licenses, be required to prepare worldwide group*

*consolidated financial statements which must be published on public record;*

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*Should ensure that those consolidated financial statements include full public country-by-country reporting.*

I think we were alone in bringing these issues to the Committee. In that case it is good to note that this was approved by the EU Parliament:

*That the EU's existing definition of the control required to create a group of companies should be applied to accountancy firms that are members of a network of firms associated by legally enforceable contractual arrangements that provide for the sharing of a name or marketing, professional standards, clients, support services, finance or professional indemnity insurance arrangements, as anticipated by Directive 2013/34/EU on annual financial statements;*

This is a quite [explicit consequence of the comments on page 31 of our report](#) and means our first and fourth recommendation have now been adopted.

It was also good to note that this was approved:

\* Sanctions also to be applied to companies, banks, accountancy and law firms, and tax advisers proven to have been involved in illegal, harmful or wrongful activities with non-cooperative jurisdictions or proven to have facilitated illegal, harmful or wrongful corporate tax arrangements involving legal vehicles in those jurisdictions;

However, there were disappointments as well, including the rejection by the combined groups of which Labour and the Conservatives are members of:

\* That professional networks .... should be required to file full country-by-country reports, adapted to meet the particular needs of the sector, on public record;

and

\* Networks of professional service firms should be required to apply for a single licence to provide audit and taxation services of any sort in the Member States, and that all abusive tax schemes promoted by the firm that have an impact on the tax revenue of a Member State should be reported, whether sold in or outside the EU by a network member;

and

\* All audit firms should be required to be entirely separate from those selling any other service;

However, the the first of these is inconsequential: they may well be caught under forthcoming EU rules on the preparation of country-by-country reporting if treated as single entities as approved by the plenary in any event. I stress, this is not binding, but it is progress. It also means that in effect we won our fifth recommendation anyway. That means we won three out of five: on the other two the cost is to society at large, I fear.

That said, I did not make progress on another issue, with regard to the Common Consolidated Corporate Tax Base where [I have been arguing](#) that without common accounting rules arbitrage will move from tax into accounting practice. This was rejected:

\* As regards proceeding with the CCTB and CCCTB proposals, if aggregation were to take place without considering the differences between Member States' accounting rules the inconsistencies in the EU tax base might end up being exploited by those seeking to secure advantage from regulatory arbitrage; takes the view that, for this reason, 'consolidated tax base' should mean the consolidated net taxable revenue of the corporate group members, as calculated on a consistent accounting basis applicable to all group members in accordance with Directive 2016/xx/EU;

That one will have to be fought on another day, but overall there was still progress. And that is what campaigning is about.