This article was published by AccountingWEB in the UK on 12 June 2019:

Better accounting for tax has long been a focus of tax justice campaigners. Richard Murphy explains why a new IFRS for tax is necessary, and why accountants have a duty to society to help companies explain their tax payments.

One of the first things that the Tax Justice Movement created was the demand for country-by-country reporting by multinational corporations. I wrote the first version of that in January 2003. Sixteen years later it is in widespread use for tax reporting.

I am assured it is working, in the sense that it is identifying where and in what amount tax risk is located within those companies reporting using that standard. But so far, it is only tax authorities that see the benefits of this type of reporting, which has now been proven (despite all the claims once made to the contrary) to be entirely possible.

It is true that the EU Commission and EU Parliament are trying to deliver rather inadequate forms of such a standard. And I am delighted that the Global Reporting Initiative (GRI) is now close to issuing its own standard, but it will be voluntary. That means compliance will be patchy, and probably absent in the companies we really need to know about.

The fact that the OECD, EU and GRI have all had to try to create standards points to one common thing: the accounting profession and its accounting standard setter, in the form of the International Financial Reporting Standards (IFRS) Foundation, have so far refused to engage with this issue.

Their justification for not doing so is two-fold. The first is that the demand for this data is political. That claim is disingenuous, since all choices about what to disclose in accounts are, inevitably, political.

The second is that it is of no interest to investors and so not accounting's concern, since the IFRS Foundation deem that what they call 'general purpose financial statements', and which the rest of us call accounts, are produced solely for the benefit of the *suppliers of capital to a company and then solely to let them decide whether they wish to engage with the company or not. This is the issue I wish to address, and at two levels.*

The first is that I think it is certain that investors — who are the precise target audience the IFRS Foundation have in mind — do want data on tax in company accounts. Whatever has been claimed in the past, it is now indisputable that tax is an issue with which investors think that they have to be engaged.

As is now apparent to them, bad tax governance has the power to hit future cash flows in two ways. One is by additional tax being due. The other is by creating reputational risk for the companies that partake of risky tax arrangements. Almost half the comments to the GRI on its country-by-country reporting standard came from investors, and most were keen to see the data. I think this debate should be over: we need a standard applicable to all companies on this issue.

But we need to go further. And that is because tax is not just of interest to investors. It has been recognised since the 1970s that there are at least six stakeholder groups with a legitimate interest in the accounts of any (and I stress, any) limited liability entity. They are:

* *its suppliers of capital;*
* *those it trades with;*
* *its employees;*
* *those who regulate it;*
* *its tax authority;*
* *those civil societies and communities who host its activities.*

Although the IFRS Foundation is set up with a public interest mandate, like almost every accounting institute it is apparent they very obviously choose to ignore the vast majority of the interested public in undertaking their work.

Knowing about tax would aid all the noted interest groups. And this is true whatever the size of company and whether it is multinational or not. It's also true whether IFRS applies, or not. The fact is that current accounting for tax, which has steadily reduced disclosure so that most small company owners would not, for example, have any idea as to the reason why they do or do not pay tax from the accounting disclosure their professional accountants include in their annual reports, needs to be reformed at all levels so that all users of accounts, of whatever the size of entity, have the data they need on tax.

That is why the Corporate Accountability Network, of which I am the director, is now calling for a new IFRS for tax.

This would embrace country-by-country reporting but is intended to deliver much more. Why a company's tax bill is the amount it is would have to be explained in much more detail, as would deferred taxation accounting be expanded.

A reconciliation between tax provided and paid would be required, as this can rarely be achieved with existing data. And information on VAT paid as well as all taxes paid on behalf of employees would require disclosure, as would all supporting data on turnover and employee pay necessary to make sense of this information.

Accountants have a duty to society to help companies explain their tax payments. It is time they stepped up to the mark and did it.

The Corporate Accountability Network will hold an event to discuss the issues raised in this piece on the 12 July at the ICAEW's main office, Moorgate Place, London. For more details or to attend please mail Richard Murphy on richard.murphy@taxresearch.org.uk