Funding the Future

Australia goes for country-by-country reporting

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Australia has become the first country in the world to require full public country-by-country reporting.

Country-by-country reporting for multinational companies shows how those companies might be using and abusing tax havens by shifting their profits into those places, avoiding taxes by doing so.

Why does this matter to me? That's because I created country-by-country reporting in 2003.

I was also one of the principal authors of the Global Reporting Initiative version of this standard, which is the basis for the Australian disclosure requirement.

The Australian commentary on the legislation is here, and the notes say:

Background

Schedule 4 to the Omnibus Bill implements Australia's public country-by-country reporting (CBCR) regime by amending the Taxation Administration Act 1953 (TAA) to require certain large multinational enterprises to publish selected tax information on a country-by-country (CBC) basis for specified jurisdictions, and on either a CBC basis or an aggregated basis for the rest of the world.

CBCR has been described as involving:

… the disclosure by a company, either publicly or in confidence to governments, of tax figures and potentially, other financial data on a country-by-country basis for all jurisdictions in which it operates.[88]According to Treasury (p. 5) in its exposure draft explanatory materials:

The objective of [public CBCR] is to improve information flows to help the public, including investors, to compare entity tax disclosures, to better assess whether an entity's economic presence in a jurisdiction aligns with the amount of tax they pay in that jurisdiction.In 2013, the OECD and G20 countries adopted the Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan) which identified 15 clearly defined actions for implementation aimed at improving international tax cooperation and tax transparency. Action 13 (p. 23) (Re-examine transfer pricing documentation) relevantly stated:

The rules to be developed will include a requirement that MNEs [multinational enterprises] provide all relevant governments with needed information on their global allocation of the income, economic activity and taxes paid among countries according to a common template.

GRI 207: Tax

The Global Reporting Initiative (GRI) is an independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts.

GRI 207: Tax (2019) (GRI 207) was issued by the Global Sustainability Standards Board (GSSB) in response to stakeholder demands for greater transparency around tax. GRI 207 disclosures enable an organization to provide information on how it manages tax, and information about its revenue, tax, and business activities on a country-by-country basis. Specifically, Disclosure 207-1 deals with the entity’s approach to tax, while Disclosure 207-4 covers CBCR tax data. GRI 207 is the basis for many of the requirements in the legislation.

It's more than twenty years since I created this idea. It's good to see that it is still progressing.

I remain in the unusual position of being, as far as I am aware, one of the very few people (and maybe the only person) in the world to have single-handedly created an accounting concept that is already required in around 70 countries for tax purposes and increasingly so for public reporting. In that case, please excuse the note of quiet satisfaction.