

Country by Country Reporting

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What it is

- A supplement to IFRS 8 / SAS 131
- A new form of segment reporting on a country-by-country basis
- Unlike current segment reporting it would have to:
 - Reconcile with the audited accounts / financial statements
 - Be complete with regard to countries – no exceptions
 - Be consistent between companies
- Would be required by an International Financial Reporting Standards and equivalents

Information it would supply

- List of all countries in which MNC operates
- Names of all subsidiaries in each location in which MNC operates
- Trading data by location:
 - Sales, split intra-group and third party
 - Purchases, split intra-group and third party
 - Labour costs and head count
 - Finance income and costs, intra-group and third party
 - Pre tax profit
 - Tax, split current and deferred and with tax reconciliation to notional rate
 - Key balance sheet data
 - Sales data split by source and destination if materially different

Why it supplies it

- To disclose geo-political risk
- To reveal internal supply chains
- To provide data on resource allocation
- To provide comparable labour data
- To increase local accountability
- To encourage corporate responsibility
- To provide reliable trade data
- To provide tax accountability
- To provide a risk assessment tool on transfer pricing
- To enhance governance – you are accountable for what you disclose

Who benefits?

- Shareholders – enhanced accountability and reduced risk
- Local stakeholders and employees – data when they have never had it before
- Regulators and other users – data they have never had before
- Tax officials – a risk assessment tool saving thousands of hours of work
- Civil society – the means to hold MNCs to account

Who pays?

- MNCs:
 - Small cost to extracting data
 - Audit – 25% increase – they'll have to actually do the job according to one big 4 firm
 - Data is only needed on the web – no trees will suffer in the production of country-by-country reporting

Who objects?

- MNCs and the Big 4
- Do not want to be held to account
- They claim this is not in IASB remit – because they define the users of accounts as providers of capital
- That is not what the IASB constitution says
- Politicians are not pleased

Will it happen

- Yes
- Don't hold your breath

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