The UK Government has accepted a cross-party backbench amendment to Finance Bill 2016 which gives HM Treasury powers to introduce public country-by-country reporting (CBCR). The amendment allows, but does not compel, HM Treasury to bring forward regulations to require groups to include a country-by-country report in their published group tax strategy (assuming they are required to publish their tax strategy). For these purposes, a country-by-country report would be defined by the existing UK regulations, implementing the Action 13 proposals of the Organisation for Economic Co-operation and Development (OECD) to counter base erosion and profit shifting (BEPS), which require such a report to be filed with HM Revenue & Customs (HMRC). No date for introducing public CBCR is stipulated. The requirement for certain groups to publish a tax strategy is to be introduced for all accounting periods commencing after Royal Assent to Finance Bill 2016 (expected around 14 September).

As part of the Finance Bill report stage debate on 5 September, Jane Ellison, the Financial Secretary to the Treasury, made the point that the UK Government has “consistently pushed for a multilateral solution for country-by-country reporting.” In accepting the amendment, she said that it was important that the power granted to HM Treasury is used to “deliver a comprehensive and effective model [of public CBCR]... that is agreed on a multilateral basis.” She confirmed that the UK Government remains focused on getting international agreement for such a model and gave assurances that the Government will continue to take every opportunity to champion this agenda at an international level.
A draft European Union (EU) directive is also currently under discussion which would introduce public CBCR in the EU, although the UK is unlikely to participate in that directive, given its vote to leave the EU. While the amendment to Finance Bill 2016 does not set out a timeframe or detailed rules for public CBCR, it further reinforces the drive by the UK to push for such transparency, provided, it seems, a multilateral agreement is reached. Some countries, both in the EU and outside it, are however understood to be opposed to public CBCR and it will be interesting to see the scope of the multilateral agreement that is required for the Government to use the power it has been granted. It does seem that the UK Parliament will need to consider this issue further.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (United Kingdom), London
- Claire Hooper +44 20 7951 2486 chooper@uk.ey.com
- Chris Sanger +44 20 7951 0150 csanger@uk.ey.com
- Geoff Lloyd +44 20 7951 8736 gilloyd@uk.ey.com
- Paul Dennis +44 121 535 2611 pdennis@uk.ey.com

Ernst & Young LLP, UK Tax Desk Leader, New York
- James A. Taylor +1 212 773 5256 james.taylor1@ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2016 EYGM Limited.
All Rights Reserved.

EYG no. 02736-161Gbl
1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com