Navigating tax transparency in the advent of CSRD

Trends in tax disclosures - third edition - March 2024

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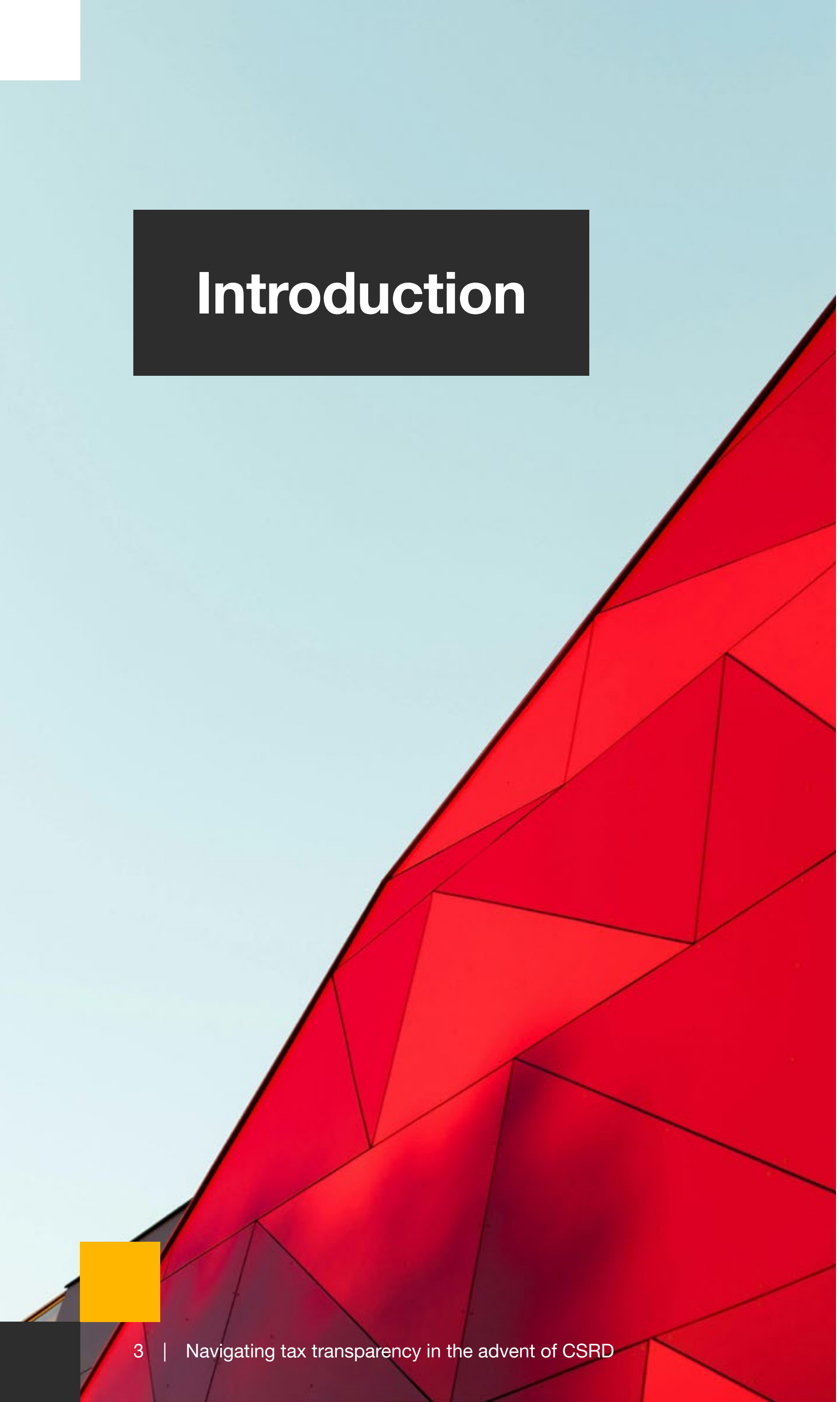


Introduction

The tax transparency debate continues to gain momentum. Stakeholders are demanding more meaningful tax disclosures which is resulting in some companies choosing to voluntarily publish increasingly comprehensive disclosures on their approach to tax, tax governance, and their total tax contribution.

New regulations are intensifying the pace of change, meaning that tax disclosures are fast moving from voluntary practices to mandatory requirements.

The introduction of the Corporate Sustainability Reporting Directive (CSRD) marks a pivotal shift in sustainability reporting for companies and will require the inclusion of extensive sustainability disclosures in their management reports. For some companies, this could extend to qualitative and quantitative disclosures on tax.

Further, public country-by-country reporting (CbCR) and Pillar Two will undoubtedly require organisations to reassess their tax transparency strategy.

It is clear that, more than ever before, tax is being used as a powerful indicator of a company's societal impact and its broader corporate values. Consequently, tax disclosures are influencing stakeholder perceptions of an organisation's sustainability credentials.

Navigating this landscape can be challenging. Businesses have to consider stakeholders' expectations and assess compliance with voluntary reporting and diverse regulatory reporting requirements. It is also imperative that companies adopt an integrated approach to reporting, one which involves close collaboration between tax and sustainability teams.

It is against this backdrop that we release the third edition of our tax transparency study in which we examine the tax disclosures of all 20 companies listed on the main market of the Irish Stock Exchange (Euronext Dublin).[1] Our benchmarking this year, as in prior years, was performed using PwC's tax transparency framework. This year we also benchmarked tax disclosures under the GRI 207 framework which is one of the most widely adopted tax reporting standards and, for some companies, will form the basis of their tax disclosures under CSRD.

We look at the tax transparency trends emerging and provide a year-on-year comparison of the tax disclosures being made by Irish companies. We also leverage the insights from *PwC's Global Tax Transparency and Sustainability Reporting in 2023 Study* to assess how Irish companies' disclosures compare with their global peers.

We hope that you find this report useful in understanding the tax transparency landscape and that it helps inform your tax disclosure considerations.

Aidan Lucey
Partner and Tax Transparency leader,
PwC Ireland

1 We reviewed the tax disclosures of all 20 companies listed on the main market of the Irish Stock Exchange (Euronext Dublin), which were listed on the Euronext in 2023 and remain listed as at 24 July 2023. Our review was strictly limited to publicly available information in respect of the financial years ending in 2022, as published at 31 December 2023. To the extent that they were published on their website, we reviewed the company's tax strategies, annual reports and sustainability reports.

The tax transparency landscape

The tax transparency journey

The tax transparency environment continues to evolve at pace, driven by economic challenges globally and a heightened focus from stakeholders on corporate accountability. Tax has also become central to the broader environmental, social and governance (ESG) movement and is an increasingly important sustainability matter. Tax is seen as a critical element of an organisation's social contribution, part of the 'S' in ESG.

All of this has continued to magnify public scrutiny on how much taxes corporations pay. This has driven stakeholder demands for a greater level of transparency, most notably from investors. A number of institutional investors have released Tax Codes of Conduct setting out their clear expectations on the tax practices of portfolio companies. Others have filed shareholder motions to mandate investee companies to make tax disclosures.

Overall, we see two overarching trends on tax transparency. Firstly, baseline expectations on voluntary tax disclosures continue to be redefined by the introduction of mandatory disclosure regulations across different jurisdictions. Increasingly, companies are being asked to disclose more data in respect of tax. For example, GRI 207 contains more than 80 data points.

Secondly, an emerging trend is that tax -related disclosures are being integrated into broader sustainability reporting frameworks. This is a clear acknowledgement that tax is seen as a sustainability matter in its own right.

We see no sign of these trends abating. This means that companies will need to navigate a challenging and ever-evolving tax disclosure landscape.

Tax regulations driving increased tax disclosures

With the recent introduction of a number of international tax measures including Pillar Two and Public CbCR (discussed below), businesses are at an important juncture in their tax transparency journey.

Pillar Two

Pillar Two introduces a global minimum effective tax rate (ETR) for in-scope multinational entities (MNEs) with accounting periods beginning on or after 31 December 2023. It will operate via a system where in-scope MNEs with consolidated revenue of €750m or more are subject to a minimum ETR of 15% on their profits in each jurisdiction they operate in. Pillar Two will bring renewed scrutiny on how much corporate taxes are paid and where.

As MNEs assess the impact of Pillar Two, they are considering whether they can avail of the temporary CbCR safe harbour[2] to manage their overall compliance burden and reporting requirements. Given the reliance on CbCR data for the safe harbour, companies need to ensure that they are comfortable with their data sources and underlying processes in compiling this data.

Public Country-by-Country Reporting

Ireland has transposed the EU's public country-by-country reporting (CbCR) Directive with effect for financial periods commencing on or after 22 June 2024. MNEs with consolidated revenues of €750m in the last two consecutive financial years, will be required to publish CbCR data including a brief description of business activities; number of employees; total revenue (including related party revenue); profit or loss before tax; tax accrued and paid; and the amount of accumulated earnings.

The move towards public CbCR isn't just a European initiative. As recently as February 2024, the Australian government released revised draft public CbCR legislation which will require large MNEs operating in Australia to publish certain information on a country-by-country basis. While the disclosures required are not as extensive as the original proposals, companies will still be required to publicly report key data on a country-by-country basis.

Public CbCR will draw attention to MNEs' corporate tax payments relative to their footprint in the jurisdictions in which they operate. Never before has there been such an impetus on MNEs to carefully consider the merits of providing supplementary disclosures and narratives to ensure that the CbCR data is not misinterpreted.

Companies voluntarily reporting under GRI 207 may separately be disclosing country-by-country data in their sustainability reports. While GRI 207 requires disclosures on a wider dataset than the EU and Australian regimes referenced above, it is important that there is consistency between the common data points being disclosed.

Additionally, GRI 207 includes recommendations on wider disclosures on an MNEs tax contribution in the jurisdictions in which it operates. Public CbCR regulations are focussed on corporation tax, yet companies' tax contributions are far broader, whether that be taxes borne such as social security and environmental taxes or taxes collected on behalf of the exchequer such as payroll taxes and VAT.

These additional quantitative disclosures can inform the narrative around how much taxes a company contributes, thereby demonstrating its broader societal impact.

Financial Accounting Standards Board tax disclosures project

From a US perspective, the Financial Accounting Standards Board (FASB), the designated accounting standard setter for US companies, unanimously voted to finalise proposed disclosure rules on income taxes. The disclosures are being introduced to address investor requests for greater transparency around income tax disclosures.

The disclosures require disaggregation of reconciling items on the effective tax rate calculation and also more granular information on income taxes paid.

The expectation is that public companies will be required to report under the new guidance for fiscal years beginning after December 15, 2024, while non-public companies will be in-scope for fiscal years beginning after December 15, 2026.

2 https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf

The tax transparency journey

2003

EITI
Transparency initiative for the extractive sector.

2010

US Dodd Frank Act
Extractive industry proposal to report all payments made to governments.

Mandatory reporting requirements
Ireland introduces legislation requiring taxpayers and advisers to report certain transactions to Revenue.

2013

EU Accounting Directive
Requiring reporting of payments to the government for extractive sector.

2014

CRD IV
EU transparency initiative for banks and capital markets.

2015

OECD BEPS
Introduced as a way to stop multinational companies (MNCs) exploiting mismatches between different countries' tax systems – introduces CbCR disclosures to tax authorities.

ATO tax principles
Australian tax authority introduces a set of minimum standards to guide on public disclosure of tax information.

The Directors' Compliance Statement
Legislation is introduced in Ireland.

2016

UK tax strategy
UK requirement to publish a tax strategy.

2018

DAC6
Requiring companies to report certain cross-border tax arrangements to tax authorities in the EU.

The B Team
A group of leading companies come together to generate a set of tax principles.

2019

GRI 207 – tax standard
GRI developed a new standard on tax which includes public CbCR.

2020

WEF metrics
International Business Council of the World Economic Forum include a core metric of tax (paid); expanded metric includes tax collected in a set of ESG metrics.

2021

EU Public CbCR
EU agrees to new public CbCR reporting for large businesses operating in the EU.

IFRS
IFRS established the International Sustainability Standards Board at COP26.

OECD Pillar 2
OECD reaches agreement on global minimum corporate income tax rate of 15%.

US Bills introduced
Bicameral proposed (two bills) for public CbCR.

2022

EU Pillar 2
EU reaches agreement in principle on Pillar 2 which will apply to financial year ends commencing in 2024.

SEC proposed ESG rules
Disclosures of climate related metrics, governance and management processes, and risk mitigation approach.

CSRD
EU adopts the Corporate Sustainability Directive requiring certain businesses with operations in the EU to report certain non-financial information against ESG metrics.

TFCD
Finalisation of climate standards by the Task Force for Climate Related Financial Disclosure.

2023

DAC 7
EU Directive which aims to enhance tax compliance in the digital economy within the EU comes into force.

Irish Public CbCR
Domestic Irish legislation transposing the EU public CbCR obligations took effect.

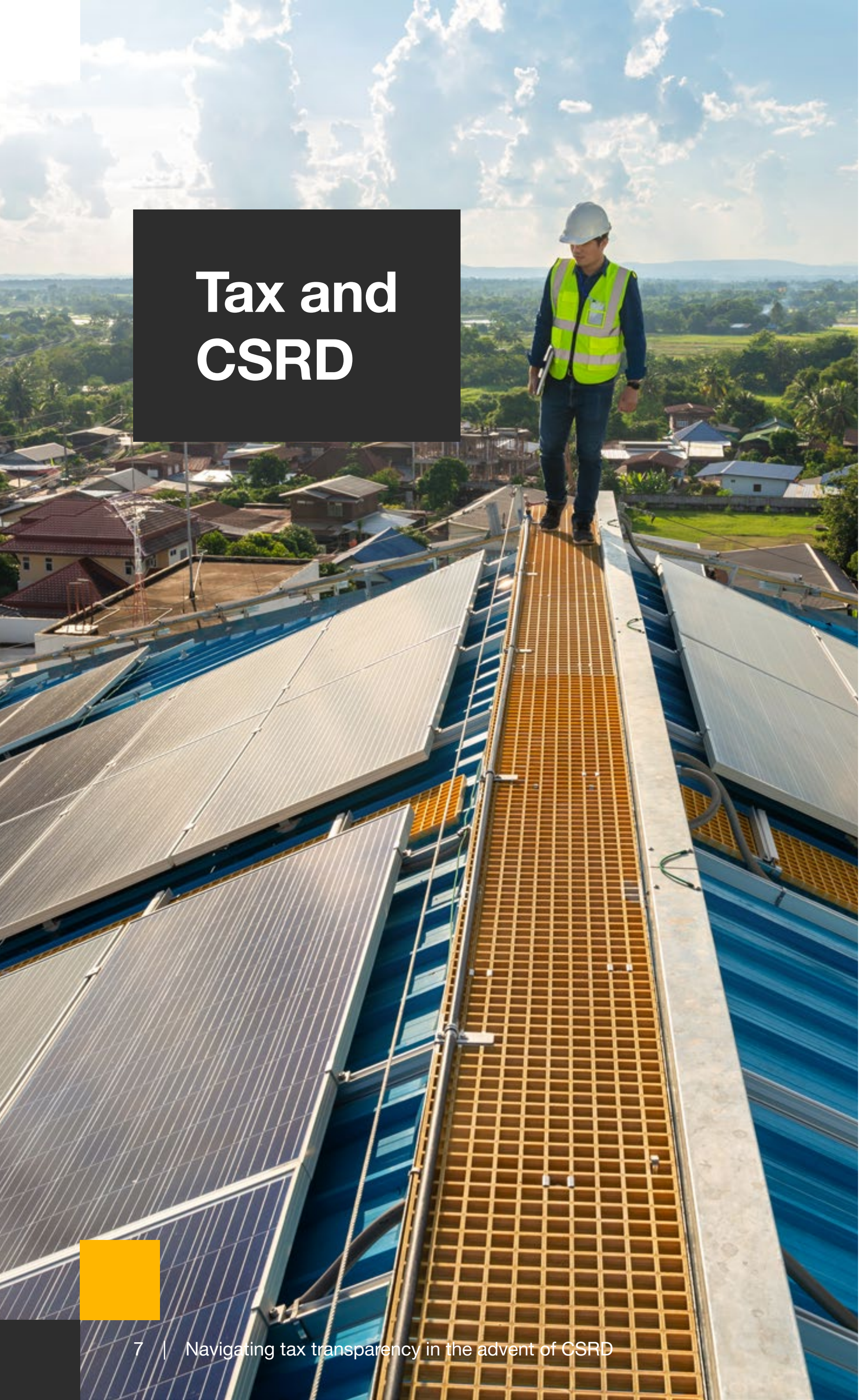
ISSB
The international sustainability standards board release their first sustainability related disclosure standards.

FASB
Vote to finalise new disclosure rules on income taxes

2024

Romanian Public CbCR
First anticipated public CbCR disclosure from non-EU headquartered companies operating in Romania

Australian Public CbCR
Australian government released revised draft public CbCR legislation



Tax and CSRD

CSRD - integrating tax disclosures into sustainability reporting

CSRD will impact more companies than any other piece of sustainability regulation, bringing approximately 50,000 companies in scope.

CSRD aims to drive accountability and transparency by mandating companies operating in the EU to publicly disclose information on material sustainability topics across environmental, social and governance pillars. The disclosures must be made in accordance with the European Sustainability Reporting Standards (ESRS).

Tax as a material topic

In determining what is a material topic, CSRD introduces the concept of double materiality, which requires companies to evaluate their impact on the environment and society (impact materiality) and how environmental and social factors affect their future performance (financial materiality).

Some companies will likely conclude that tax is a material topic for them and their stakeholders. This is because the taxes that they pay and collect could be seen as having a positive impact on society.

While tax is not covered by a specific ESRS, the European Financial Reporting Advisory Group (EFRAG)—who developed the CSRD standards—has explicitly called out tax as a potential topic for disclosure. They have also suggested that tax disclosures under CSRD can be made by reference to the GRI 207[3] framework. We explore, in this report, the specific tax disclosures required under GRI 207 and also assess the readiness of Irish companies to report under this standard.

Adhering to tax minimum safeguard in EU Taxonomy

Companies in scope of CSRD are also required, as part of their CSRD disclosures, to confirm alignment of their activities with the EU Taxonomy. The EU Taxonomy is a common classification system that helps companies and investors identify “environmentally sustainable” economic activities to make sustainable investment decisions.

3 https://efrag.sharefile.com/share/view/s459956b01c6841298f78e5031759ca6e/fo8ed338-4c5e-4502-823b-88009818b85a

To be Taxonomy aligned, companies must comply with minimum safeguards,[4] one of which is tax. For an organisation to comply with the tax minimum safeguard they must:

- Comply with both the letter and spirit of the tax laws, including the arm's length principle.
- Have tax governance and tax compliance as important elements of the board oversight and broader risk management systems.

A company would not be deemed to meet the tax minimum safeguards where:

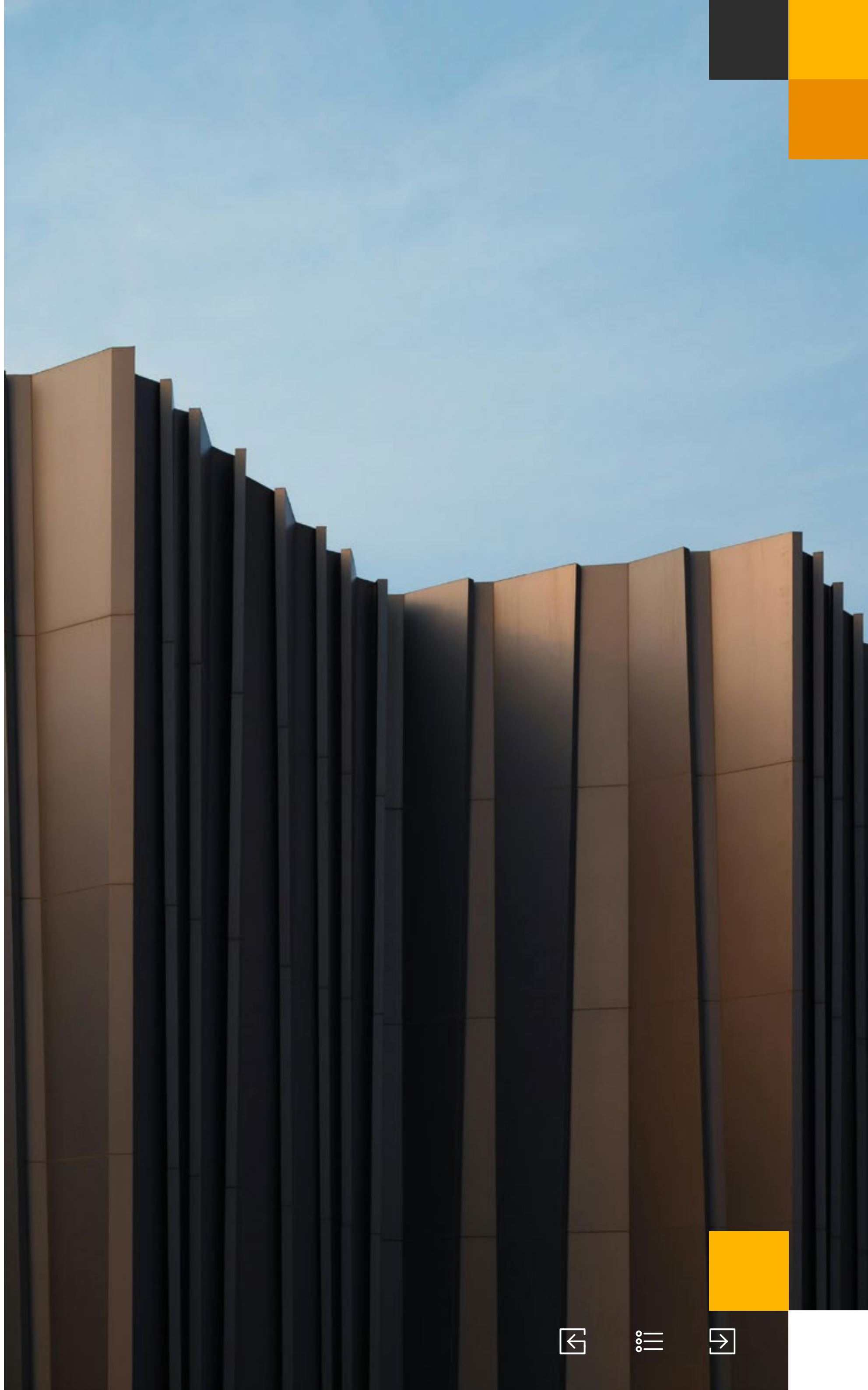
- It does not treat tax governance and compliance as important elements of oversight, and there are no adequate tax risk management strategies and processes in place.
- It, or its subsidiaries, have been found to have violated tax laws.

In preparation for CSRD reporting, Chief Financial Officers and Chief Sustainability Officers are now considering whether they will be able to confirm that their company is Taxonomy aligned. As part of that process, they will likely seek assurances from tax teams that the tax minimum safeguards have been met. It is therefore important that the principles in a company's tax strategy are clearly aligned with the minimum safeguards. It is also important that tax teams can evidence the tax governance and risk management procedures it has in place to ensure compliance.

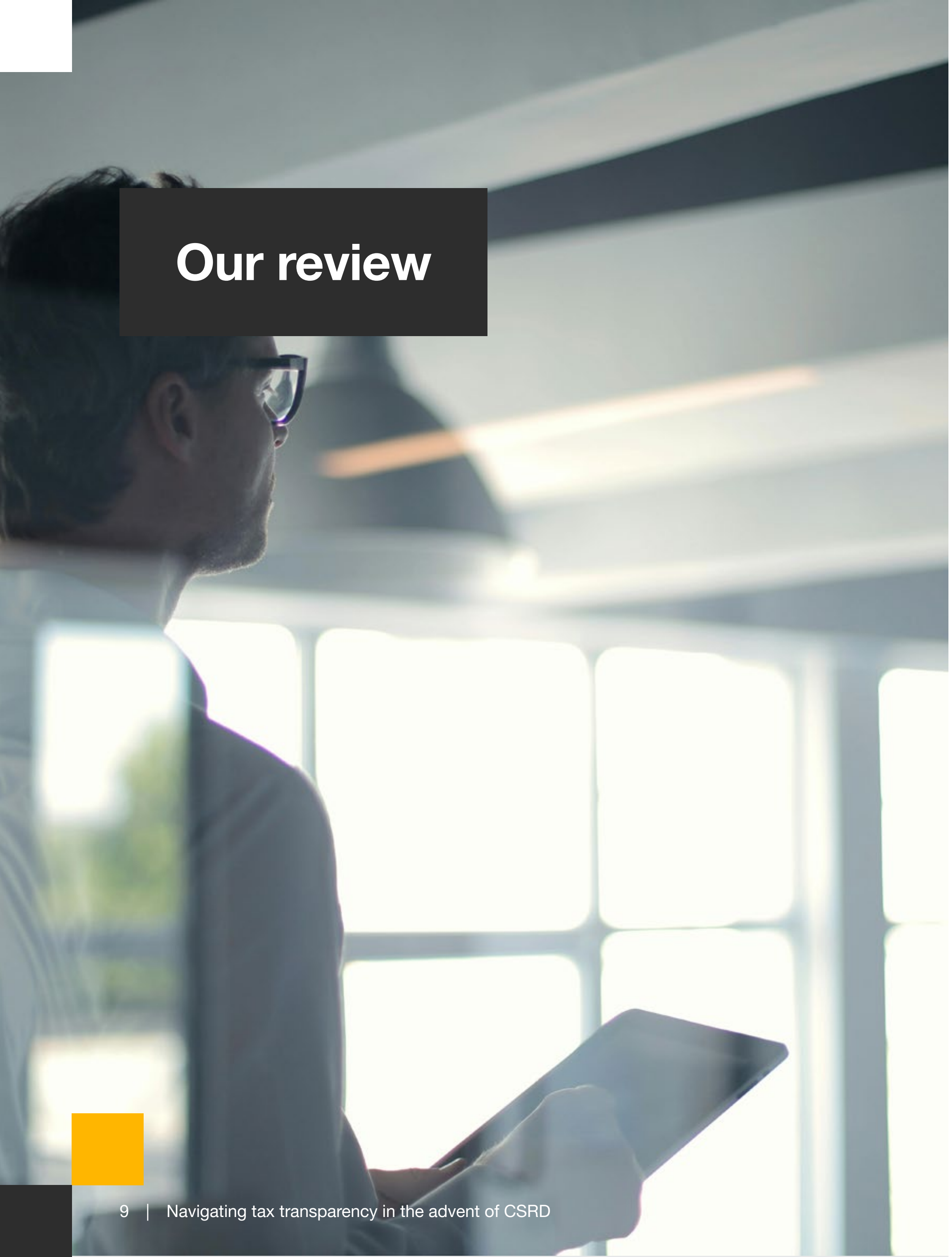
Alignment with Transfer Pricing disclosures

Under CSRD, companies are required to disclose information about their business model, strategy and value chain. This includes disclosures on the main features of the company's upstream and downstream value chain, its position in the value chain and its sustainability risks.

Large companies already disclose this type of information to tax authorities in their transfer pricing master file and local file. It is therefore important to ensure that there is consistency between the information disclosed in CSRD reports and transfer pricing documentation to avoid any unnecessary scrutiny from tax authorities.



4 https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf



Our review

Methodology and Scope

In undertaking our tax transparency analysis for this year's report, we reviewed the tax disclosures of all 20 companies listed on the main market of the Irish Stock Exchange (Euronext Dublin)[5]. To the extent that they were published on their websites, we reviewed companies' tax strategies, annual reports and sustainability reports.

While companies can use a variety of publicly available documents to make tax disclosures, our review found that substantial tax disclosures were made in a tax strategy. Therefore, the findings in this report relate to companies with a published tax strategy.

For the scope of this year's review, we limited our analysis to companies that have chosen to make public disclosures on tax. In our experience, large companies typically have a tax strategy and a robust tax governance framework. A company may decide not to publish details of its tax strategy or its governance arrangements for many reasons. Therefore, it cannot be assumed that the absence of a published tax strategy, or specific disclosures therein, means that these components aren't in place. Rather, they are not being made publicly available.

To assess readiness for tax disclosures under CSRD, our benchmarking for this year's report assesses the alignment of companies' disclosures with GRI 207. GRI 207 disclosures are broadly aligned to PwC's tax transparency framework under which we conducted the benchmarking for our prior year tax transparency reports.

5 Who were listed on Euronext Dublin in 2022 and remain listed as at 24 July 2023.

GRI 207 is a tax standard developed by the Global Reporting Initiative ("GRI"). The GRI has developed a set of global sustainability standards, which are widely accepted as good practice for reporting on a range of economic, environmental and social topics. More than 10,000 organisations in 100 countries, including many Irish companies, use the GRI standards for sustainability reporting. GRI 207 was a specific standard introduced in 2019 to meet greater stakeholder demands for tax transparency.

GRI 207 enables companies to report qualitative and quantitative tax data as part of their sustainability reporting. It consists of four key disclosure categories:

Disclosure 207 - 1

Approach to tax.

Disclosure 207 - 2

Tax governance, control, and risk management.

Disclosure 207 - 3

Stakeholder engagement and management of concerns related to tax.

Disclosure 207 - 4

Country-by-country reporting.

Transparency trends

This report is intended to help companies consider the benefits of greater tax transparency based on their specific profile and stakeholder interests. It should also help inform companies' external communications strategies regarding tax and assess readiness for any tax disclosures under CSRD. Below are some key year-on-trends we identified from this year's review against the requirements of the GRI 207 standard:

Approach to tax

Disclosure 207-1 – Approach to tax

This requires disclosures on a company's public tax strategy and details on who oversees it within the company. It also requires information on how the company complies with tax laws and regulations, and how its tax strategy aligns with its ESG strategy.

Our review found that a tax strategy, sometimes referred to as a company's approach to tax or tax policy, remains the primary means by which companies make tax disclosures.

While there is no requirement in Ireland for companies to publish a tax strategy, 10[6] of the companies reviewed (or 50%) voluntarily published a tax strategy.

40% of companies explicitly state that their tax strategy is reviewed regularly. Interestingly, our review would indicate that 90% of companies review their published tax strategy year-on-year based on the date stamp on their strategy.

One of the requirements under the GRI 207 framework is for companies to disclose the governance body or executive management that formally reviews and approves their tax strategy. In this regard, it is interesting that 70% of companies stated that their board, audit committee or an executive within their organisation formally reviews and approves their tax strategy.

There was a 29% increase in the number of companies that explain how their tax arrangements are aligned with their commercial activities. Consistency between the management of a company's tax affairs and the wider business strategy is important, demonstrating that tax is aligned with broader commercial objectives.

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6 Since the publication of our second report, one company with a published tax strategy has delisted from Euronext Dublin. For comparative purposes, this company has been removed from our statistics. Our review was strictly limited to publicly available information regarding financial years ending in 2022, as published on 24 July 2023.

This year's review found that 80% of companies referenced tax in their broader sustainability reports. This represents a 14% increase from last year and is clearly an acknowledgement by companies that tax is an important ESG metric that their stakeholders are interested in. Of those companies reporting on tax in their sustainability report, one additional company made tax disclosures with reference to the GRI 207 standard compared to last year.

Our review found that few companies describe how their approach to tax is linked to their sustainability strategy. Integrating economic and social impacts into the tax strategy reflects an organisation's commitment to considering the broader implications of its actions beyond mere financial gains, including its impact on communities and the environment.

Tax governance, control, and risk management

Disclosure 207-2 – Tax governance, control, and risk management

This disclosure requires companies to explain how they implement and monitor their tax strategy, including their approach to tax governance, control and risk management. Companies should disclose who has accountability for the tax strategy, how it is aligned with the group's organisational structure and values, and how its effectiveness is assessed. Additionally, companies should report on the mechanisms they use to prevent and address unethical and unlawful tax behaviour.

Tax Governance

Tax governance is the framework within an organisation that facilitates the management and oversight of tax activities to ensure that the organisation meets its tax obligations. Of those companies with a published tax strategy, all disclose that the board or audit committee is accountable for compliance with the tax strategy. This indicates a strong level of oversight on tax matters.

We note that the vast majority of companies stated that the board and/or audit Committee have approved the tax strategy. This is important as stakeholders want to understand whether the tax strategy and tax risks are discussed outside the tax team—with the board or audit committee, for example. It provides comfort that tax is overseen at an appropriate level and compliance obligations are monitored effectively.

It is common for the board to delegate the day-to-day management of tax matters to an executive within the organisation. 80% of companies specify that accountability for tax compliance is delegated to the CFO and/or Head of Tax within the organisation.

Control and Risk Management

Stakeholders look for assurances that a company is aware of its tax risk footprint and has appropriate controls and processes to manage that risk. Disclosures in this area provide comfort that tax is embedded within a company's broader risk management framework.

This year's review found that 90% of companies include a statement in their tax strategy describing their risk appetite. This represents a 29% increase from last year.

We note that all companies describe their approach to tax risk, including how risks are identified, managed and monitored. This provides assurance to tax authorities that their tax risk is managed.

40% of companies state that their approach to tax is embedded within the organisation. When reporting how the approach to tax is embedded within their organisation, some companies have chosen to provide examples of processes and initiatives within the organisation that evidence the execution of the tax strategy.

When reporting how compliance with their tax governance and control framework is evaluated, 90% of companies described the process through which the tax governance and control framework is monitored, tested, and maintained.

Stakeholder engagement and management of concerns related to tax

Disclosure 207-3 – Stakeholder engagement and management of concerns related to tax

This disclosure covers how a company engages with its stakeholders on tax matters. It requires reporting on the company's cooperation with financial administrations and authorities, its lobbying activities and tax policy positions on significant tax issues that it has made public. The disclosure also covers the company's interactions with other stakeholders who have an interest in its tax affairs, such as business partners, customers, suppliers, and employees.

Consistent with prior years, all companies describe their approach to engaging with tax authorities. This includes participating in cooperative compliance agreements, seeking clearance for all significant transactions, engaging on tax risks, and seeking advance pricing agreements.

No company made disclosures on their processes for engagement with other stakeholders and their approach to public policy advocacy on tax.

Country-by-country reporting

Disclosure 207-4 – Country-by-country reporting

The CbCR disclosures set out in GRI 207-4 are largely consistent with the EU public CbCR Directive and BEPS Action 13. They require reporting the following items for each jurisdiction:

- names of the business entities
- principal activity
- number of employees
- revenue from intercompany transactions with other jurisdictions as well as with third parties
- profit/loss before tax
- corporate income taxes paid and accrued and
- reasons for the difference between the corporate income taxes paid/accrued and the statutory tax rate.

GRI 207-4 also includes reporting recommendations on Total Tax Contributions (TTC) which are far broader than CbCR.

Most companies provided some information required by the GRI CbCR disclosures, such as the names and principal activities of the group's entities in each jurisdiction. However, other key CbCR information, such as revenue and corporate income tax paid in each tax jurisdiction was not disclosed.

GRI 207-4 recommends that reporting organisations should report additional information such as:

- taxes withheld and paid on behalf of employees;
- taxes collected from customers on behalf of a tax authority
- industry-related and other taxes or payments to governments

This year, 90% of companies disclosed some level of information on their tax footprint in Ireland - either in their tax strategy or broader sustainability reports. 20% of companies voluntarily disclosed some level of information on their tax footprint in material jurisdictions. TTC quantifies the total amount of taxes paid by a company, often distinguishing between taxes borne by the company and taxes collected on behalf of the exchequer.

With the impending public CbCR regime focusing on corporation tax borne by a company, some companies may opt to voluntarily disclose information on their TTC to improve understanding and provide visibility of their wider contribution to public finances. Sector taxes, such as irrecoverable VAT (for banks) and business rates (for retailers), can be more significant than corporation tax.

How do Irish companies compare to their international peers

In 2023, PwC Ireland participated in an international tax transparency and sustainability reporting study covering 269 listed companies from Austria, Brazil, Germany, Ireland, Switzerland, Spain, South Africa and the United Kingdom[7]. The study assessed the quality and completeness of companies tax disclosures against four frameworks including GRI 207.

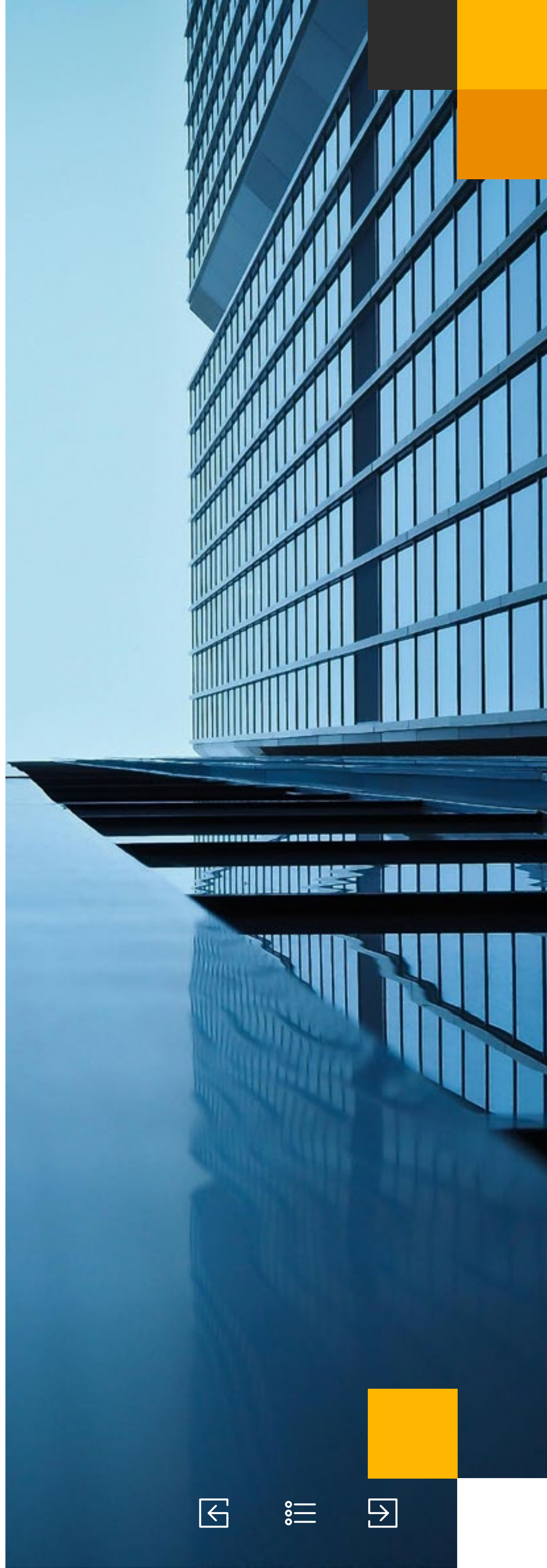
As reporting in Ireland is voluntary, the study found that Irish companies' had a lower level of tax disclosures and alignment to the GRI 207 disclosure requirements when compared to companies in other jurisdictions such as Spain and the United Kingdom. This is most likely driven by the fact that tax disclosures are mandatory in those territories.

The information disclosed by Irish companies broadly aligns with the main qualitative disclosure requirements under GRI 207-1. The Irish companies' disclosures are less aligned with disclosure requirements under categories GRI 207 - 2, GRI 207 - 3 and GRI 207 - 4.

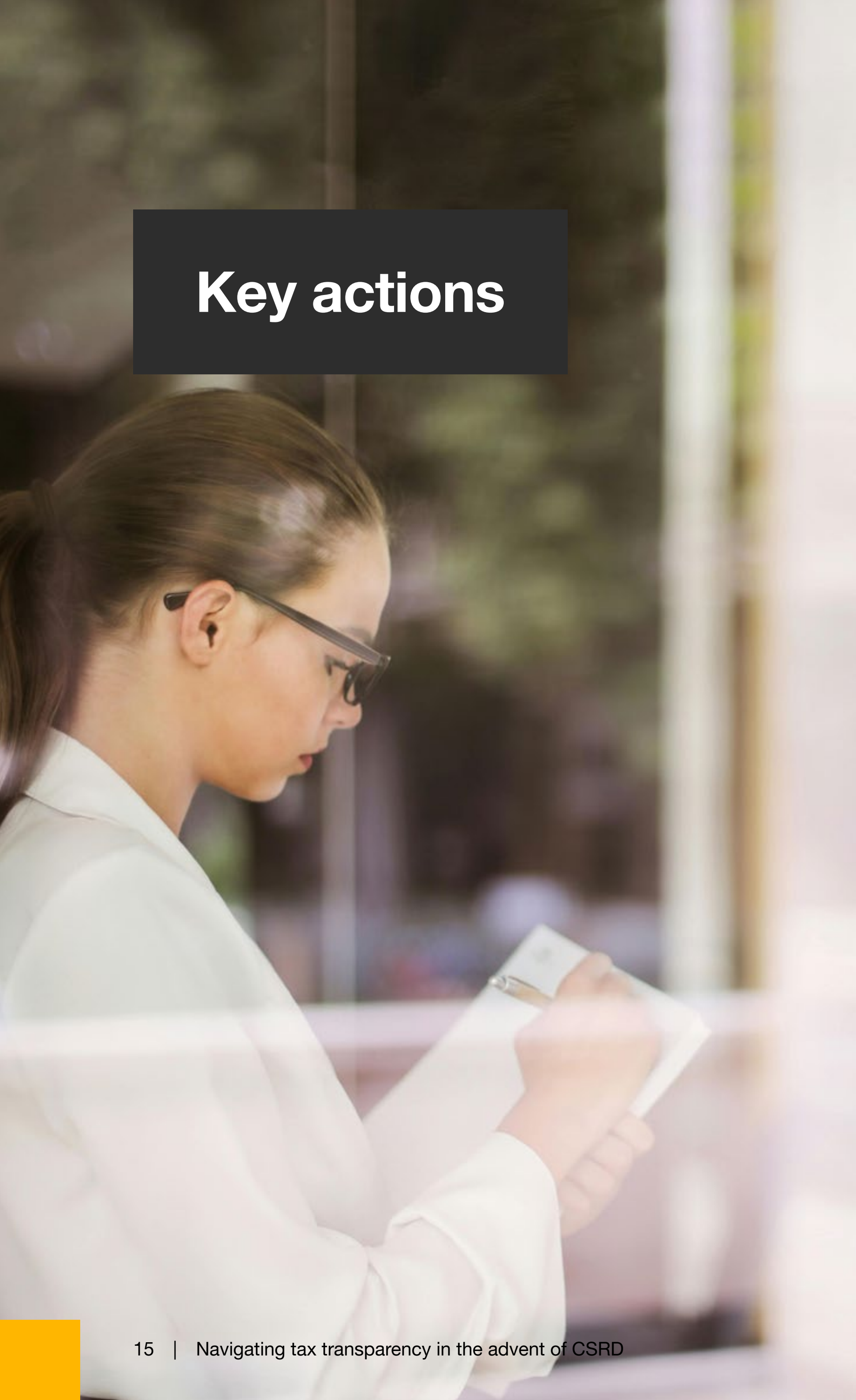
With the implementation of CSRD, Irish companies may need to increase the breadth and nature of their disclosures to be more closely aligned with the GRI 207 framework.

The most widely adopted sustainability reporting framework by Irish companies is the GRI framework. However, our review found that only a few Irish companies reference GRI 207 in their sustainability reports, even where they are disclosing on GRI 207 data requirements in their tax strategy.

As sustainability reporting frameworks continue to be embedded, it is imperative that Irish companies take the time to consider how the evolving landscape will impact their tax disclosure strategy.



7 https://www.pwc.com/gx/en/tax/pdf/tax-transparency-and-sustainability-reporting-in-2023.pdf



Key actions

Trust can be built by companies that adopt a strategic response to tax disclosure. Disclosures can explain and inform the company's narrative around how it is taxed and its larger societal impact. However, it is wise to continually assess the value increased disclosure can deliver against possible risks to the business. More and more companies are indicating that the benefits outweigh the risks.

These benefits include:

- Better communication around tax can build trust with stakeholders, particularly for companies in sectors where tax is the subject of heightened attention.
- As tax is complicated, a clear narrative explaining the concepts behind a business's tax strategy and its tax contributions is essential. This is particularly important where the use of tax losses or a tax incentive significantly reduces a company's tax contribution in a particular period.
- Other sustainability commitments, like net-zero transition, can take years to achieve. However, companies are already delivering when it comes to tax contributions and tax governance. Companies can report on tax today.
- Relationships with tax authorities require trust and credibility. Tax disclosures may reduce the level of scrutiny and can lead to more open and streamlined dialogue.
- Many jurisdictions require businesses to disclose certain tax-related information as part of their regulatory obligations. By adopting transparent reporting practices, companies can ensure compliance with these regulations.

There is no optimal level or one-size-fits-all approach to tax transparency. Each company's perspective is different and will be driven by several factors, including its brand values and stakeholder interests.

The key actions to take now

Engage the board

Increasing investor pressure on tax means tax transparency is now a board-level issue.

It is important to have full engagement between the board, the tax function and those responsible for ESG matters. Tax needs to be fully aligned with your organisation's broader sustainability strategy.

Engage with your sustainability teams

It is important that there is full engagement between tax teams and sustainability teams to ensure that impacts, risks and opportunities relating to tax are identified and considered in double materiality assessments for CSRD reporting. Even where tax is not considered material, it is important that the tax teams help inform this decision.

Prioritise your tax strategy

For those companies not yet making disclosures, the priority should be developing a formal tax strategy. This will be the first document stakeholders look for when assessing the company's approach to tax and its tax transparency. It can help you control the narrative.

Consider what, and to whom, you are reporting

Tax is a broad subject. Understand the material tax matters your stakeholders want to know about and why. Critically review your current disclosures to see if they align with stakeholders' expectations and/or regulatory requirements. Once you have decided what disclosures to make, then you will need to consider whether the target audience will be able to understand each disclosure. Including additional information to help explain the disclosure and provide additional context may be beneficial.

Establish the optimal reporting framework for the company

There is no optimal level or one-size-fits-all approach to tax transparency. Each company's perspective differs and will be driven by several factors, including your brand values and stakeholder interests. Decide what reporting framework works best for you. If the company already uses a reporting framework, such as GRI, for its wider sustainability reporting, ensure that your current tax disclosures align with that framework.

Establish processes and procedures for tax disclosures

Regardless of what disclosures you make, establish formal procedures and governance to ensure that the company can stand over both the qualitative and quantitative disclosures it makes.

We are here to help you

The tax transparency landscape is evolving. Companies need to adapt to keep up with stakeholder expectations on tax disclosures. We can support you in defining your tax transparency strategy and understanding your tax disclosure obligations. We can also provide you with your own transparency assessment, so you can benchmark how your tax disclosures compare to your peers. Contact us today.

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