

TAX TRANSPARENCY FOR A SUSTAINABLE WORLD

Tax contributions form one of the largest sources of Government funds for social welfare and environmental conservation programmes. Environmental taxes, green subsidies, and sustainable value chains are some of the other areas where taxes have become focal points in the sustainability agenda. On the other hand, external stakeholders have been demanding increasing transparency and extensive disclosures about the financial affairs of corporations, including tax. Responsible tax, consisting of fair tax practices and transparent disclosures about economic contribution, has thus become a key part of the boardroom agenda.

ENHANCING SUSTAINABLE REPORTING FOR BUSINESSES

Embracing tax transparency, corporations highlight how they comply with tax regulations, manage tax risks, and engage with tax authorities along with tax contributions and collection across jurisdictions. Besides meeting stakeholder expectations, corporations undertake tax transparency reporting to build reputation before government authorities and the investor community and propel sustainable development.

ADOPTION OF TAX TRANSPARENCY REPORTING

Historically, tax information was primarily of interest to tax authorities. However, considering how businesses impact society, a range of stakeholders including investors, customers and employees are increasingly interested in the corporations' tax affairs. Consequently, many countries are recognising the need for greater tax transparency disclosures. Some countries, notably the UK, Australia and certain European Union countries, have established frameworks for tax transparency disclosures, requiring corporations to disclose their tax affairs under the prescribed norms. In India, an increasing number of corporations are voluntarily adopting tax transparency reporting to build stakeholder confidence and trust.

AVAILABLE GUIDANCE ON TAX TRANSPARENCY REPORTING

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct provides a comprehensive framework for responsible business conduct, including recommendations on tax transparency. It specifically addresses tax transparency, recommending that corporations disclose their global tax strategy, country-by-country reporting (CbCR), and other relevant tax information.

The Global Reporting Initiative (GRI) has developed a standard for tax transparency (GRI 207) to help corporations disclose their tax strategy, governance, and relevant tax-related policies and practices consistently and comprehensively. It recommends disclosures around tax strategies, tax governance structure, tax compliances, tax risk management framework, and engagement with tax authorities and CbCR.

The Financial Accounting Standards Board of the US has approved proposed disclosure rules on income taxes under Accounting Standards Update, Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes.

The EU public Country-by-Country (CbC) Reporting Directive requires multinational groups operating in the EU and those exceeding specific size thresholds to make certain information on their tax affairs publicly available.

KEY BENEFITS OF TAX TRANSPARENCY REPORTING



Increased trust and credibility: Tax transparency reporting provides a comprehensive overview of the tax affairs of a corporation, which can enhance transparency and trust among stakeholders, and the credibility of the corporation.



Greater investor confidence and public accountability: Recently, investors have increasingly relied on tax transparency disclosures to assess corporations' tax position, risk management and contribution to society. Governments and policymakers use tax transparency information to assess the effectiveness of tax policies, identify potential areas of reform and make informed decisions about resource allocation.



Improves tax governance, control, and risk management: Such reporting promotes robust governance, control, and risk management systems for managing corporations' tax matters, enabling them to effectively review tax strategies and monitor compliance obligations.



Commitment to sustainable development goals: Tax transparency reporting demonstrates a corporation's commitment to sustainable development goals. It enables the Governments to ensure that businesses are paying their fair share of taxes and contributing to public goods and services. This helps Governments counter unfair tax practices, reduce inequality, promote economic growth and improve social welfare.

HOW BDO INDIA CAN HELP

Tax transparency reporting is a complex and nuanced process demanding proficiency to ensure all critical aspects of a corporation's tax policies, tax governance, tax practices, payments, other disclosures and their relevance are reported accurately. Our professionals are well-equipped to support businesses from advisory, strategy, and data gathering to the complete process of tax transparency reporting. We are committed to guiding our clients through every step, providing support to achieve tax transparency and compliance. Our support encompasses:

- Helping corporations understand tax transparency requirements and regulations.
- Providing advice on tax policy & strategy, governance, controls, and risk management which corporations can consider for reporting on tax matters.
- Assistance in analysing the reportable countries for corporations.
- Reviewing distinct types of taxes that corporations contribute and collect in different jurisdictions and categorising them into reportable heads of taxes.
- Assisting corporations in collating relevant information.
- Helping corporations document their tax contributions and collections along with other material disclosures from reportable entities.
- Guiding through the tax transparency reporting requirements and disclosures.
- Offering an independent assurance report/ performing agreed-upon procedures as part of the corporation's tax transparency reporting.



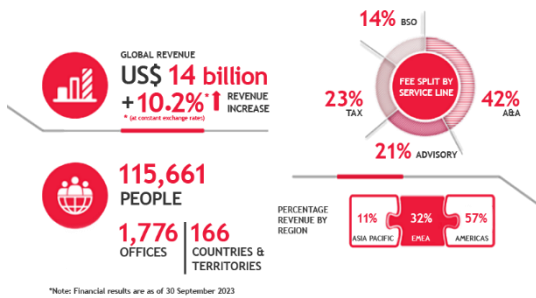
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BDO in India

BDO in India offers Assurance, Tax, Advisory, Business Services & Outsourcing and Digital Services for both domestic and international clients across industries. The team at BDO in India consists of over 8,500 professionals led by more than 300 partners and directors operating out of 18 offices, across 12 key cities.



CONTACT US

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