# TAX TRANSPARENCY REPORT
## ENHANCING SUSTAINABLE REPORTING FOR MNES

A Tax Transparency Report (TTR or the report) is a document that provides information on a Multinational Enterprise's (MNE) tax strategy, policies, and payments. The report is intended to increase transparency and accountability around MNE tax practices, which can help stakeholders better understand how the MNE manages its tax affairs. The importance of TTR is increasing as MNEs face growing scrutiny from governments, regulators, investors, and the public over their tax practices. The report also helps demonstrate that MNEs are committed to paying their share of taxes and complying with applicable tax laws and regulations.

### TTR as part of Sustainable Reporting

The World Commission on Environmental and Development in the year 1987[1] set out an aspirational goal of sustainable development. Sustainability reporting is a practice of reporting publicly by the MNE on its economic, environmental and social impacts. With the growing awareness of the link between tax practices and sustainable development, tax transparency is considered a material topic that creates an economic impact on the organisation in the countries/jurisdictions it operates.

### TTR in different countries

Countries including the UK, Australia, Canada and certain countries in the European Union require compliance with tax transparency with a different set of reporting requirements applicable to the MNEs as per their specific regulations. In India, there are no mandatory regulations yet that require MNEs to have TTR, however, to gain confidence and enhance trust among stakeholders, an increasing number of MNEs are voluntarily reporting their tax matters under the TTR.

### Key benefits of TTR

- Increased trust and credibility: TTR provides a clear and detailed picture of an MNE's tax affairs. This can increase transparency and trust between the MNE and its stakeholders, including customers, investors, and employees and thereby enhance the overall credibility of the MNE.
- Improves tax governance, control, and risk management: TTR calls for a robust governance, control, and risk management system for handling the tax matters of an MNE. As a result, the MNE can effectively review its tax strategies and monitor its compliance obligations.

### Available guidance for preparing TTR

Among the available guidance, the Global Reporting Initiative (GRI) developed the Tax Transparency Report Standard (GRI 207) to help MNEs disclose their tax-related policies, practices, and performance in a consistent and comprehensive way. Some key points from the standard include:

**Tax strategy:**
To provide a clear and concise description of its tax strategy, including its approach to tax planning, tax risk management, and compliance with tax laws and regulations.

**Tax governance:**
To disclose information on its tax governance structure, including the roles and responsibilities of its board of directors and senior management in overseeing tax matters.

**Tax compliance:**
To disclose information on its tax compliance activities, including its approach to compliance with tax laws and regulations, any tax disputes or controversies, and any fines or penalties imposed for non-compliance.

**Tax planning:**
To disclose information on its tax planning activities, including its approach to tax planning, the types of transactions that it engages in, and the jurisdictions where it operates.

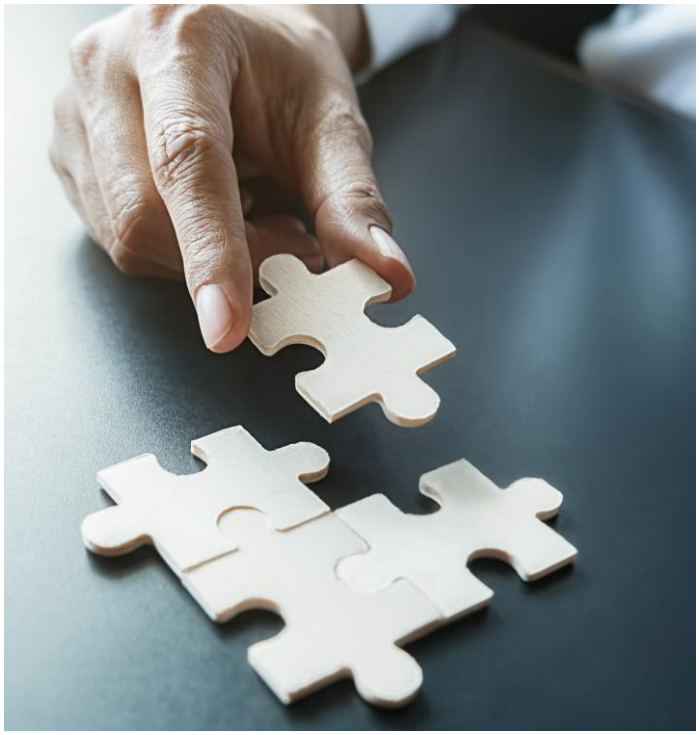
**Engagement with tax authorities:**
To disclose information on its engagement with tax authorities, including any disputes or controversies, and any cooperative compliance programs that it participates in.

[1] *GRI 101: Foundation 2016*

## How BDO India can help

Detailing with TTR is highly subjective and requires specialised skill to comprehensively cover the key aspects of MNE's tax practices, payments and other disclosures. Our experts support businesses through the journey, right from advisory to navigating through the complete process of TTR. In specific, our support ranges to the following:

- Assisting MNEs to understand TTR.
- Advising on tax policy & strategy, governance, controls and risk management which MNEs can consider for the purpose of reporting on tax matters.
- Assistance in analysing the reportable countries out of the global presence of the MNE.
- Reviewing various types of taxes contributed and collected by an MNE in different jurisdictions and bifurcation of such taxes into reportable heads of taxes.
- Handholding MNEs in documenting the basis for the tax contributions & collections along with other material disclosures from the reportable entities.
- Guidance on navigating through the TTR requirements and disclosures.
- Framing an opinion and issuance of an independent assurance report/performing agreed-upon procedures to consider as part of an MNEs tax transparency reporting.



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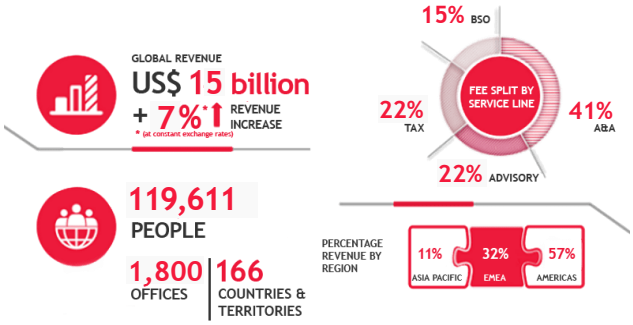


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*Includes employees from BDO RISE and BDO EDGE

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