

# ADOPT RESPONSIBLE TAX PRACTICES



Approaching tax as an essential part of good governance and a fundamental investment in the societies where business operates

## The need for business action

To fulfill their critical role in reducing inequality, governments not only need the right policies – but also the resources to implement them. Responsible corporate tax practices help governments advance efforts to tackle inequality and overcome other complex challenges our societies face. These responsible practices are also vital to building public confidence and trust in the tax system.

**US\$ 200B**

Low-end estimate of government revenues lost to profit-shifting each year

## Catalyzing business action

Businesses can take action to advance responsible tax practices by:

- 1** **Aligning their approach to tax with their corporate and sustainability strategy while also embedding it into corporate governance and enterprise risk management**
- 2** **Engaging with tax authorities and other stakeholders in ways that protect the integrity of the tax system and strengthen its effectiveness**
- 3** **Reporting regularly and transparently about the company's approach and taxes paid**

A company's tax policy should be regularly reviewed to ensure it remains fit for purpose and supports the company's delivery of its corporate and sustainability strategy.

Companies should develop cooperative and transparent relationships with tax authorities to support effective tax legislation and administration.

Companies should consider making their tax strategy, and their progress against it, publicly available – while also being transparent about their policy advocacy activities related to tax.

## The business case

Adopting responsible tax practices helps government to invest in and maintain a stable and favorable operating environment for business. At the same time, it also generates other direct benefits at the company level including:



**Reducing regulatory risk:** Following responsible tax practices and principles helps companies reduce regulatory risk associated with tax areas that are being targeted by emerging legislation.



**Building trust with tax authorities:** Where businesses can improve their relationship with tax authorities through the adoption and integration of responsible tax practices, trust can be built both ways.



**Responding to investor expectations:** Showing a responsible approach to tax is increasingly required by investors who are seeking to understand the board's appetite for risk.



**Protecting reputation:** Adopting responsible tax practices may help companies reduce reputational risk, build trust and protect key relationships with governments, customers and other stakeholders.



**Meeting the growing demand for disclosures:** Embracing responsible tax practices will assist companies in meeting increasing demand for tax disclosures.