Requirements for devising and publishing corporate tax strategy in different countries 1/40/24

ESG Tax Practice, PwC Latvia
Alina Ruskova

The practice of devising and publishing a tax strategy is gaining traction in companies to handle their internal governance and external relationships with the general public and government agencies. To continue our article on the link between tax and sustainability, we will discuss how certain countries require companies to draw up a tax strategy.

Examples of countries mandating or recommending a tax strategy

Australia

The Australian Taxation Office's guidelines on effective tax governance include seven principles that companies should integrate into their tax control framework:

1. Accountable management and oversight
2. Recognising tax issues and risks
3. Seeking advice
4. Integrity in reporting
5. A professional and productive working relationship
6. Timely filings and payments
7. Ethical and responsible behaviour[1]

While Australian companies are not liable to devise a tax strategy (i.e. there is no requirement for the tax control framework to be documented as a strategy), this is recommended, especially for larger companies and multinational enterprises because a tax strategy helps companies manage their tax obligations efficiently and secures compliance with tax laws and regulations.[2] However, Australia has adopted tax transparency measures requiring large companies to disclose certain tax information. For example, companies with annual revenue exceeding AUD 100 million must publish specified information on taxes.[3]

The United Kingdom

The Finance Act 2016 provides that companies with annual revenue exceeding GBP 200 million or total balance sheet exceeding GBP 2 billion must devise a tax strategy and publish it annually. This applies to all companies doing business in the UK, including foreign companies' branches, and to companies that are part of a multinational group whose global revenue exceeds EUR 750 million.

A tax strategy should include information on how the company manages tax risks, its attitude to tax planning, its permissible level of risk and how it cooperates with HM Revenue & Customs, as well as any other significant tax-related information. The tax strategy should be posted online (on the website of the company or its parent) to make it readily available to the public. It can be published either as part of a larger document (e.g. the annual report) or separately.[4]

Failure to meet this requirement exposes companies to a fine of up to GBP 7,500 and a further fine of GBP 7,500 every six months until the requirement is satisfied.[5]

Spain

In 2015, Spain adopted rules requiring corporate boards to devise tax risk management and control policies and to make this information available to the public. From 2018, companies are required to add tax information to their financial statements, including a tax strategy and information on amounts of tax paid in other countries.[4]

Examples of countries where companies often include tax strategy information in their sustainability reports

In many countries that do not make it mandatory to publish a tax strategy, companies do so as part of their sustainability reports, based on principles of good practice and international standards. PwC's survey 'Tax transparency and sustainability reporting in 2023' offers examples of countries that do not require companies to draw up a tax strategy. However, companies in these countries often choose to include tax strategy details in their sustainability reports. Examples include Switzerland, Germany (19 out of the 40 largest German companies publish information on their tax strategy) and South Africa.

Conclusion

Devising and publishing a tax strategy is a significant step towards improving corporate transparency and sustainable practices. It drives corporate accountability to the public and makes corporate operations more transparent. The UK and Spain are pioneers here with stringent statutory requirements, while other countries, such as Switzerland, Germany and South Africa, emphasise this matter, based on principles of good practice and corporate governance standards.

Companies just setting out on this road are advised to consider other countries' experience and adjust their governance principles to secure optimal compliance with local and international standards. PwC consultants are happy to help companies devise and implement effective tax strategies meeting the best practice and the new requirements.

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[1] Seven principles of effective tax governance | Australian Taxation Office (ato.gov.au)
[2] Key changes for companies | Australian Taxation Office (ato.gov.au)
[3] Tax transparency in Australia: the current state of play (pwc.com.au)
[4] Tax transparency and sustainability reporting in 2023
[5] Publish your large business tax strategy (gov.uk): What must be in your strategy