Barbara Strozzilaan 336
1083 HN Amsterdam
The Netherlands
tax@globalreporting.org

Public comment form

Exposure draft of GRI topic-specific Standard: *Tax and Payments to Governments*

Comments to be received by 15 March 2019

This exposure draft of the new GRI topic-specific Standard: *Tax and Payments to Governments*, is published for public comment by the Global Sustainability Standards Board (GSSB), the independent standard setting body of GRI.

This public comment form includes the draft of the new GRI topic-specific Standard: *Tax and Payments to Governments*, and a questionnaire seeking input on specific sections of the draft Standard. The explanatory memorandum on page 3 of this document summarizes the objectives of the project and the significant proposals contained within this exposure draft.

This draft is published for comment only and may change based on public feedback before its official release.

Any interested party can submit comments on this draft by 15 March 2019 by submitting this form. Comments should be submitted in writing. Only comments in English will be considered. Instructions to submit comments are outlined on page 2 of this document.

As required by the GSSB's Due Process Protocol, all comments received will be considered a matter of public record. Comments will be made available on the GRI website along with the name of the individual or organization that submitted the comment, and their country and constituency group.

For more information please see the GRI website. If you have additional questions about the project, the exposure draft or the public comment period, please send an email to tax@globalreporting.org.

Instructions for submitting comments

This public comment form is published by the Global Sustainability Standards Board (GSSB), the independent standard setting body of GRI.

Any interested party can submit comments on this draft by **15 March 2019** by submitting this form.

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Making your comments

There are 9 specific questions distributed across this form under the respective sections of the draft Standard to which they relate. You can find questions on pages 19-20, 27, 29, 31-34.

You can submit any additional comments you have at question 9 on page 34.

In developing your responses, please try and do the following:

- provide the line numbers of the text your comment relates to;
- provide a rationale or supporting explanation for your comment;
- provide an alternative wording suggestion, where relevant; and
- be clear and additive.

It is recommended that you read through the full draft Standard before submitting your comments.

Submitting your comments

Important: To fill in the form, you will need to have Adobe Acrobat installed on your computer. **Please do not fill in the form in your website browser – your data will not be saved.**

1. Download and save a copy of the public comment form on your desktop.
2. Open the form using Adobe Acrobat and type your responses in the comment boxes.
3. Click '**Save**' in the upper left corner of the form to ensure your responses are not lost.
4. Once you have completed the form, you can (a) click the **'Submit form' button on the upper right corner of the form.** The completed form will be automatically sent to GRI; or (b) **email** your completed form as an attachment to tax@globalreporting.org.

Please note: You will be sent confirmation that your form has been received within two working days.

Comments must be submitted in writing. Only comments in English will be considered. If either of these is not possible, please email tax@globalreporting.org to make the necessary arrangements.

If you have any questions about how to use the public comment form, please send an email to tax@globalreporting.org.

Explanatory memorandum

This explanatory memorandum sets out the objectives of the project to develop new, specific disclosures related to tax and payment to governments, the significant proposals resulting from this project, including the incorporation of a new GRI topic-specific Standard: *Tax and Payments to Governments* in the GRI Sustainability Reporting Standards (GRI Standards), and a summary of the Global Sustainability Standards Board (GSSB)'s involvement and views on the development of this draft Standard.

Objectives for the 'disclosures on tax and payments to governments' project

The primary objective of the project is to develop new, specific disclosures related to tax and payment to governments, to be considered for incorporation into the GRI Standards.

A multi-stakeholder Technical Committee (TC) was formed to develop the disclosures, as outlined in the GSSB's Due Process Protocol.

The aim of this work is to help promote greater transparency on a reporting organization's approach to taxes, including its tax strategy, governance, and information on its actual taxes and payments to governments.

Wherever possible, the project considered existing frameworks and methodologies for reporting on tax and payment to governments.

For more information, consult the project proposal and terms of reference.

Significant proposals

The TC has developed a new topic-specific Standard on tax and payments to governments in line with the project objective set out above. Notable inclusions in this draft Standard are summarized below:

- **New management approach disclosures** have been developed, covering specific tax components. These include the content of the tax strategy, how the organization's business strategy and the economic or social impacts of its approach to tax and payments to governments are considered in the development of this strategy, the tax governance and control framework, tax risk identification and management, and the approach to stakeholder engagement and management of stakeholder concerns in relation to tax and payments to governments. These requirements are designed to complement the existing generic management approach disclosures in *GRI 103: Management Approach*.
- **New topic-specific disclosures** have been developed, focused on the country-by-country reporting of financial, economic, and tax-related data for each tax jurisdiction in which the organization operates. Country-by-country reporting of taxes and payments to governments provides a level of detail that enables assessment of the contribution an organization makes through taxes and payments to governments in a jurisdiction proportionate to the organization's scale of activity in that jurisdiction.

- The two topic-specific disclosures are closely related: one provides essential contextual information for the other. For this reason, in the case of this Standard, the reporting organization is expected to **report on both topic-specific disclosures**.
- Several new defined terms and definitions have also been proposed. See page 28.
- The contents of this exposure draft are presented in format of a topic-specific Standard for inclusion in the Economic series (200).

GSSB's involvement and views on the development of this draft

The GSSB appointed one of its members as the sponsor for this project. The GSSB sponsor observed the entire TC process and attended all TC meetings.

A rough draft of the new GRI topic-specific Standard: *Tax and Payments to Governments* was discussed by the GSSB on 25 September 2018. The draft was later revised based on stakeholder input collected during a field test consultation and on TC and GSSB feedback.

The GSSB confirmed its support for the new GRI topic-specific Standard: *Tax and Payments to Governments* when it voted to approve the draft for public exposure at its meeting on 29 November 2018.

Meeting minutes and recordings can be accessed on the GSSB website here.

Personal details

As required by the GSSB's Due Process Protocol, all comments received will be considered a matter of public record. Comments will be made available on the GRI website along with the name of the individual or organization that submitted the comment, their country, and their constituency group. To learn more about GRI's privacy policy click here.

☑ **Check this box** to confirm you agree to have the personal details listed above made available along with your comments on the GRI website. This information will not be used or processed for any other purposes.

If you do not agree, your comments will be reviewed and summarized but will not be expressly considered by the GSSB.

Full name	Paul Gisby
Type of submission Are your comments made as an individual or on behalf of an organization, group, or institution?	On behalf of an organization
Organization name Please ignore this question if this is an individual response.	Accountancy Europe
Country of residence	Belgium
Region	Europe
Stakeholder group Please select a constituency group that best describes you/your organization (click here for definitions)	Other
Other stakeholder Please describe your stakeholder group if you have selected 'Other' in the question above	European federation of professional accountancy bodies

Are you a reporter or a report user?	Other
Email address This will only be used to request clarification on your response or to inform you of milestones related to the public comment period. This will not be used or processed for any other purposes.	paul@accountancyeurope.eu
Do you want to be kept informed about project updates?	Yes

GRI XXX: TAX AND PAYMENTS TO GOVERNMENTS [20XX]

Contents

About this Standard

Responsibility	This Standard is issued by the Global Sustainability Standards Board (GSSB). Any feedback on the GRI Standards can be submitted to standards@globalreporting.org for the consideration of the GSSB.
Scope	*GRI XXX: Tax and Payments to Governments* sets out reporting requirements on the topic of tax and payments to governments. This Standard can be used by an organization of any size, type, sector or geographic location that wants to report on its impacts related to this topic.
Normative references	This Standard is to be used together with the most recent versions of the following documents. *GRI 101: Foundation* *GRI 103: Management Approach* *GRI Standards Glossary* In the text of this Standard, terms defined in the Glossary are underlined.
Effective date	This Standard is effective for reports or other materials published on or after [date to be determined]. Earlier adoption is encouraged.

Note: This document includes hyperlinks to other Standards. In most browsers, using **'ctrl' + click** will open external links in a new browser window. After clicking on a link, use **'alt' + left arrow** to return to the previous view.

Introduction

A. Overview

This Standard is part of the set of GRI Sustainability Reporting Standards (GRI Standards). The Standards are designed to be used by organizations to report about their impacts on the economy, the environment, and society.

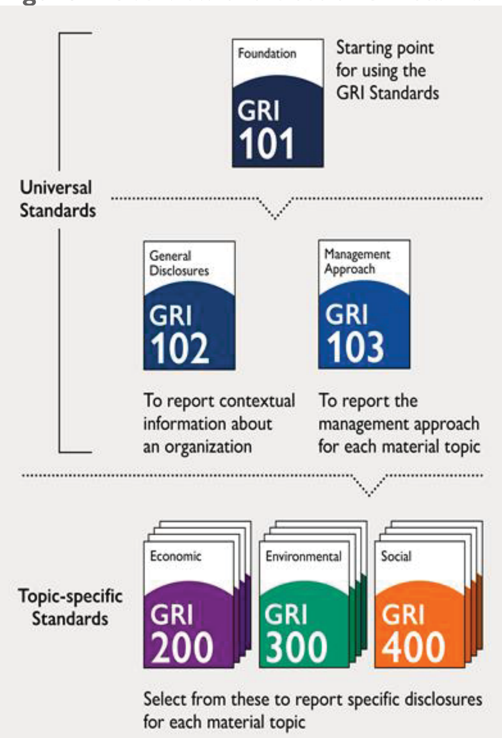
The GRI Standards are structured as a set of interrelated, modular standards. The full set can be downloaded at www.globalreporting.org/standards/.

There are three universal Standards that apply to every organization preparing a sustainability report:

- *GRI 101: Foundation*
- *GRI 102: General Disclosures*
- *GRI 103: Management Approach*

***GRI 101: Foundation* is the starting point for using the GRI Standards. It has essential information on how to use and reference the Standards.**

Figure 1 Overview of the set of GRI Standards



An organization then selects from the set of topic-specific GRI Standards for reporting on its material topics.

See the Reporting Principles for defining report content in *GRI 101: Foundation* for more information on how to identify material topics.

The topic-specific GRI Standards are organized into three series: 200 (Economic topics), 300 (Environmental topics), and 400 (Social topics).

Each topic Standard includes disclosures specific to that topic, and is designed to be used together with *GRI 103: Management Approach*, which is used to report the management approach for the topic.

***GRI XXX: Tax and Payments to Governments* is a topic-specific GRI Standard in the 200 series (Economic topics).**

B. Using the GRI Standards and making claims

There are two basic approaches for using the GRI Standards. For each way of using the Standards there is a corresponding claim, or statement of use, which an organization is required to include in any published materials.

- The GRI Standards can be used as a set to prepare a sustainability report that is in accordance with the Standards. There are two options for preparing a report in accordance (Core or Comprehensive), depending on the extent of disclosures included in the report.

  An organization preparing a report in accordance with the GRI Standards uses this Standard, *GRI [XXX]: Tax and Payments to Governments,* if this is one of its material topics.

- Selected GRI Standards, or parts of their content, can also be used to report specific information, without preparing a report in accordance with the Standards. Any published materials that use the GRI Standards in this way are to include a 'GRI-referenced' claim.

See Section 3 of *GRI 101: Foundation* for more information on how to use the GRI Standards, and the specific claims that organizations are required to include in any published materials.

Reasons for omission as set out *in GRI 101: Foundation* are applicable to this Standard. See clause 3.2 in *GRI 101* for requirements on reasons for omission.

C. Requirements, recommendations and guidance

The GRI Standards include:

Requirements. These are mandatory instructions. In the text, requirements are presented in **bold font** and indicated with the word 'shall'. Requirements are to be read in the context of recommendations and guidance; however, the organization is not required to comply with recommendations or guidance in order to claim that a report has been prepared in accordance with the Standards.

Recommendations. These are cases where a particular course of action is encouraged, but not required. In the text, the word 'should' indicates a recommendation.

Guidance. These sections include background information, explanations and examples to help organizations better understand the requirements.

An organization is required to comply with all applicable requirements in order to claim that its report has been prepared in accordance with the GRI Standards. See *GRI 101: Foundation* for more information.

D. Background context

In the context of the GRI Standards, the economic dimension of sustainability concerns an organization's impacts on the economic conditions of its stakeholders, and on economic systems at local, national, and global levels.

The Standards in the Economic series (200) address the flow of capital among different stakeholders, and the main economic impacts of an organization throughout society.

GRI XXX addresses the topic of tax and payments to governments.

Tax and payments to governments are important sources of government revenues, which in turn are acknowledged by the United Nations to play a vital role in advancing the achievement of the Sustainable Development Goals.[1]

The relative size and allocation of taxes and payments to governments are key to the fiscal policy of most governments, and to the macroeconomic stability of an economy.

Tax and payments to governments are also a key mechanism by which organizations contribute to the economies of the countries in which they operate.

Organizations have a responsibility to comply with tax legislation and to meet stakeholder expectations of good tax practices. Taxes paid by organizations reflect that profitability is reliant on many factors external to the organization, including access to markets, natural resources, public infrastructure and services, and the availability of human capital and a public administration.

If organizations seek to minimize their tax obligation in a place, they might be depriving governments of important revenue. This in turn could lead to a reduction in investment in public infrastructure and services, and to an increase in the level of government debt, or at the very least, to a shifting of the tax burden onto other parties.

Perceptions of tax-avoidance by an organization could also undermine tax compliance more broadly, by driving behavior based on the view that without aggressive tax planning, an organization might be at a competitive disadvantage. This could potentially lead to increasing costs associated with tax regulation and enforcement.

Tax transparency promotes trust and credibility in the taxation system and in the tax practices of organizations. It enables stakeholders to make informed judgments about whether an organization's position on tax and payments to governments is acceptable and informs public debate. Equal access to quality information also creates a context for the development of desirable tax policy outcomes from the societal perspective.

The disclosures in this Standard are designed to help an organization better understand and communicate its strategy, governance, control, risk, and stakeholder engagement related to tax and payments to governments, as well as its income, tax, and business activities on a country-by-country basis.

Country-by-Country Reporting

Country-by-country reporting involves the reporting of financial, economic, and tax-related data for each tax jurisdiction in which the organization operates. It can be used to identify the contribution an organization makes through tax and payments to governments in a jurisdiction and provide insight into an organization's scale of activity in those jurisdictions.

In combination with the management approach disclosures, country-by-country reporting can evidence the organization's tax practices across the different jurisdictions in which it operates.

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[1] United Nations (UN) Resolution, 'Transforming our world: the 2030 Agenda for Sustainable Development', 2015.

Country-by-country data can also signal to stakeholders any potential reputational and financial risks in an organization's transactions related to tax and payments to governments.

Disclosure XXX-4 Entities and activities by tax jurisdiction provides essential contextual information to understand Disclosure XXX-5 Country-by-country reporting. For this reason, the reporting organization is expected to report on both topic-specific disclosures of *GRI XXX*.

GRI XXX: Tax and Payments to Governments

This Standard includes disclosures on the management approach and topic-specific disclosures. These are set out in the Standard as follows:

- Management approach disclosures
  - Disclosure XXX-1 Approach to tax and payments to governments
  - Disclosure XXX-2 Tax governance, control, and risk management
  - Disclosure XXX-3 Stakeholder engagement and management of concerns related to tax and payments
- Topic-specific disclosures
  - Disclosure XXX- 4 Entities and activities by tax jurisdiction
  - Disclosure XXX- 5 Country-by-country reporting

1. Management approach disclosures

Management approach disclosures are a narrative explanation of how an organization manages a material topic, the associated impacts, and stakeholders' reasonable expectations and interests. Any organization that claims its report has been prepared in accordance with the GRI Standards is required to report on its management approach for every material topic.

An organization that has identified tax and payments to governments as a material topic is required to report its management approach for this topic using both the disclosures in *GRI 103: Management Approach,* and the management approach disclosures in this section.

The disclosures in this section focus on how an organization approaches and manages its tax and payments to governments. This section is therefore designed to supplement – and not to replace – the content in *GRI 103*.

Reporting requirements

1.1 The reporting organization shall report its management approach for tax and payments to governments using *GRI 103: Management Approach*.

Disclosure XXX-1 Approach to tax and payments to governments

Reporting requirements

Disclosure XXX-1

The reporting organization shall report the following information:

a. A description of the approach to tax and payments to governments, including:

- **i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;**
- **ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;**
- **iii. the approach to regulatory compliance described in the tax strategy;**
- **iv. how the tax strategy is linked to the business and sustainable development strategies of the organization and to the broader economic needs of the countries in which the organization operates.**

Guidance

Background

An organization's approach to tax and payments to governments is often articulated in its tax strategy, but it might also take the form of a policy, standards, principles, or codes of conduct.

The tax strategy (or equivalent document) communicates how the organization balances tax compliance with business concerns and ethical, societal, and sustainability-related expectations.

It is a key building block of an organization's approach to managing tax and sets out the organization's tax principles, its attitude to tax planning, the degree of risk the organization is willing to accept, and the organization's approach to engagement with tax authorities.

Guidance for Disclosure XXX-1-a

When describing the approach to tax and payments to governments, the reporting organization can provide context by including specific examples drawn from its tax practices. For example, the organization can provide an overview of its approach to the use of tax havens, the types of tax incentives it makes use of, or its approach to transfer pricing. These examples help demonstrate the organization's risk appetite and the tax practices deemed acceptable and unacceptable by the organization and its highest governance body.

If the organization does not have a tax strategy, it may describe an equivalent document that underpins the tax approach and explain the reason for not having a tax strategy.

Guidance for Disclosure XXX-1-a-i

If the organization has a tax strategy but the strategy is not publicly available, the organization can provide an abstract or summary of the strategy.

If the organization has a tax strategy that applies to a smaller number of entities or tax jurisdictions than is covered by the report, the organization can refer to this tax strategy and list the entities or tax jurisdictions to which the strategy is relevant.

Guidance for Disclosure XXX-1-a-iii

The organization's approach to regulatory compliance refers to how the organization interprets the applicable tax laws and regulations – whether it seeks to comply with the 'letter of the law', or whether it goes beyond that to comply with what it believes to be the legislative intent underpinning the law, or the 'spirit of the law'.

Guidance for Disclosure XXX-1-a-iv

When describing how the tax strategy is linked to its business strategy, the organization can outline how its tax planning is aligned with its economic and commercial activities.

When describing how the tax strategy is linked to its sustainable development strategy and to the broader economic needs of the countries in which it operates, the organization can explain how it considers the economic or social impacts of its approach to tax and payments to governments in these countries. The organization can describe whether, and how, it considers any statements on its impact or contribution in other areas in the development of its tax strategy.

Disclosure XXX-2 Tax governance, control, and risk management

Reporting requirements

Disclosure XXX-2

The reporting organization shall report the following information:

a. A description of the tax governance and control framework, including:

- **i. the <u>governance body</u> or executive-level position within the organization accountable for compliance with tax strategy;**
- **ii. how the stated approach to tax and payments to governments or tax strategy is embedded within the organization;**
- **iii. the approach to tax risks, including how risks are identified, managed, and monitored;**
- **iv. how compliance with the tax governance and control framework is evaluated.**

b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization’s integrity in relation to taxes.

c. A description of the assurance process for disclosures on tax and payments to governments, including, if applicable, a reference to the assurance report, statement, or opinion.

Guidance

Background

Having robust governance, control, and risk management systems in place for tax and payments to governments can be an indication that the stated approach or tax strategy is well embedded in the organization and that the organization is effectively monitoring its compliance obligations. Reporting this information reassures stakeholders that the organization’s practices reflect the statements it has made in its tax strategy (or equivalent document).

Guidance for Disclosure XXX-2-a

When describing the tax governance and control framework, the reporting organization can provide examples of effective implementation of its governance, control, and risk management systems.

Guidance for Disclosure XXX-2-a-i

In cases where the <u>highest governance body</u> in an organization is accountable for compliance with the tax governance and control framework and with the tax strategy, the organization can specify the degree to which the highest governance body has oversight, and specify any accountability for compliance delegated to executive-level positions within the organization.

Guidance for Disclosure XXX-2-a-ii

When reporting on how the stated approach to tax and payments to governments or tax strategy is embedded within the organization, the organization can describe processes, projects, programs, and initiatives that support adherence with the stated approach or tax strategy.

These initiatives can include:

- training and guidance provided to relevant employees on the link between tax strategy, business strategy, and corporate reputation;
- succession-planning for roles within the organization that are responsible for tax and payments to governments;
- participation in tax transparency initiatives or representative associations that seek to develop best practice around tax disclosure or educate stakeholders on tax issues;
- training and guidance on likely tax risks provided to employees within the organization who are authorized to commit to contracts on behalf of the organization.

Guidance for Disclosure XXX-2-a-iii

Tax risks are potential, perceived, and/or near-term business risks associated with the organization's tax practices that might lead to a negative effect on the tax or commercial goals of the organization, or to unexpected or unacceptable financial or reputational damage. These include compliance or other tax risks, such as risks related to non-compliance with relevant laws, uncertain tax positions, changes in legislation, or a perception of aggressive tax practices.

When reporting on the approach to tax risks, the organization can describe its risk appetite and tolerance and include specific examples of tax practices it has avoided because they pose a high risk or because they are misaligned with the tax strategy (or equivalent document). Risk appetite and tolerance indicate the degree of risk the organization is willing to accept in determining its tax positions.

When reporting on how tax risks are identified, managed, and monitored, the organization can describe:

- the role of the highest governance body in the tax risk management process;
- how the tax risk management process is communicated and embedded across the organization;
- whether tax risk management is considered in the organization's financial and/or non-financial risk management process.

Guidance for Disclosure XXX-2-a-iv

When reporting on how compliance with the tax governance and control framework is evaluated, the organization can explain the process through which the tax governance and control framework is monitored, tested, and maintained. An example could be that an internal auditor is given accountability for undertaking annual reviews of the tax department's compliance with the tax governance and control framework.

The organization can also specify the degree to which the highest governance body has oversight of the design, implementation, and effectiveness of the tax governance and control framework.

Guidance for Disclosure XXX-2-b

An example of a mechanism for stakeholders to report concerns about unethical or unlawful behavior or about activities that compromise the organization's integrity in relation to taxes is whistleblowing.

Disclosure XXX-2-b is related to Disclosure 102-17 in *GRI 102: General Disclosures*. If the information reported under Disclosure 102-17 covers mechanisms used for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to taxes, the organization can provide a reference to this information reported under Disclosure 102-17.

Guidance for Disclosure XXX-2-c

Disclosure XXX-2-c is related to Disclosure 102-56 in *GRI 102: General Disclosures*. If the assurance process for disclosures related to tax and payments to governments has been completed as part of another assurance process, the organization can provide a reference to this information reported under Disclosure 102-56 or elsewhere.

Disclosure XXX-3 Stakeholder engagement and management of concerns related to tax and payments

Reporting requirements

Disclosure XXX-3
The reporting organization shall report the following information: **a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax and payments to governments, including:** **i. the approach to engagement with tax authorities;** **ii. the approach to public policy advocacy on tax and payments to governments;** **iii. processes for collecting and considering the views and concerns of external stakeholders.**

Guidance

Background

Organizations' tax practices are of interest to various stakeholders. The approach an organization takes to engaging with stakeholders has the potential to influence its reputation and position of trust. This includes how the organization engages with tax authorities in the development of tax systems, legislation, and administration.

Stakeholder engagement can enable the organization to understand evolving expectations in relation to tax and payments to governments. It can give the organization insight into potential future regulatory changes and enable the organization to better manage its financial and reputational risks.

Guidance for Disclosure XXX-3-a-i

The approach to engagement with tax authorities can include participating in cooperative compliance agreements, seeking active real-time audit, seeking clearance for all significant transactions, engaging on tax risks, and seeking advance pricing agreements.

Guidance for Disclosure XXX-3-a-ii

When reporting on its approach to public policy advocacy, the reporting organization can describe:

- its lobbying activities related to tax and payments to governments;
- its stance on significant issues relating to tax and payments to governments addressed in its public policy advocacy, and any differences between its advocacy positions and its stated policies, goals, or other public positions;
- whether it is a member of any representative association or committee that participates in public policy advocacy.

Disclosure XXX-3-a-ii is related to the reporting requirements set out in *GRI 415: Public Policy*. If the organization has identified public policy as a material topic and has reported information under *GRI 415* that covers the organization's public policy advocacy on tax and payments to governments, the organization can provide a reference to this information reported under *GRI 415*.

Guidance for Disclosure XXX-3-a-iii

When reporting on the processes for collecting and considering the views and concerns of external stakeholders, the organization can describe how the processes enable stakeholders to participate in this engagement.

Question 1:

The management approach section in *GRI XXX: Tax and Payments to Governments* includes specific requirements for organizations to report on their approach to tax and payments to governments; tax governance, control, and risk management; and stakeholder engagement and management of concerns.

Are any of the management approach disclosures in *GRI XXX: Tax and Payments to Governments* not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?

When reviewing the management approach disclosures, you might consider issues of commercial sensitivity, data management processes and other obstacles to reporting the information. If there is a specific part of the disclosures that you believe is difficult to report on, please outline the reasons why and whether this difficulty could be overcome over time.

When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
	Accountancy Europe believes these disclosures to be both understandable and feasible. This is particularly the case for organisations whose tax affairs are sufficiently complex to be a material reportable matter and where organisations already use GRI standards and have existing experience of reporting similar information in respect of other material ESG\CSR matters. Accountancy Europe believes that organisations should have a sufficiently robust governance, control and risk management process in place over tax, appropriate for the size and complexity of the business. Such controls should, where appropriate, be subject to assurance and using an external assurance provider will provide additional comfort for external stakeholders. Our Providing support in tax controls and assurance publication provides a useful starting point for organisations looking to develop and seek external assurance on its tax controls.

Question 2:

The requirements included in management approach section are designed to supplement – and not to replace – the content in *GRI 103: Management Approach*.

With respect to reporting requirements in the management approach disclosures in *GRI XXX: Tax and Payments to Governments*, are all of them critical to describing the management approach on tax and payments to governments.

If not, which requirements are not critical?

When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
230-231 & 260-264	Accountancy Europe believes the disclosures required described in Disclosures XXX 1-3 above, are, with one exception, critical for proper disclosure of an organisation's tax policy, its approach to tax risk and its stakeholder engagement. There is only one specific disclosure that we have issues with - Disclosure XXX-1-a-iii. It is less an issue of whether the disclosure is critical but rather whether it requires separate disclosure other than being in the tax strategy (if disclosed). It is felt that making it a separate disclosure, out of its context in the tax strategy, could lead to standardised text, complying with the disclosure requirement but not providing meaningful information on the undertaking's approach to compliance with tax laws.

2. Topic-specific disclosures

Disclosure XXX-4 Entities and activities by tax jurisdiction provides essential contextual information to understand Disclosure XXX-5 Country-by-country reporting. For this reason, the reporting organization is expected to report on both topic-specific disclosures of *GRI XXX*.

If the reporting organization does not have data available for all the tax jurisdictions in which it operates, as listed in Disclosure XXX-4, the organization is required to identify the data excluded and explain why it is not available. See clause 3.2 in *GRI 101: Foundation* for requirements on reasons for omissions.

Where complete reporting for a listed tax jurisdiction is not possible because the organization holds a minority shareholding or is the non-operating joint venture partner in an entity, the organization can identify this as a reason for omission and can provide a reference to the majority shareholder or operating partner.

Disclosure XXX-4 Entities and activities by tax jurisdiction

Reporting requirements

Disclosure XXX-4

The reporting organization shall report the following information:

a. All tax jurisdictions where the entities included in the organization's audited financial statements[2], or in the financial information filed on public record, are resident for tax purposes.

b. For each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

- **i. Number of entities;**
- **ii. Names of the principal entities;**
- **iii. Primary activities of the entities;**
- **iv. Number of employees.**

1.2 When compiling the information specified in Disclosure XXX-4, the reporting organization shall, in cases where an entity is deemed not to be resident in any tax jurisdiction, report the entity-related information listed in i-iv separately.

Reporting recommendations

1.3 The reporting organization should report total employee remuneration for each tax jurisdiction in which the organization has resident entities.

[2] Audited financial statement refers to the audited consolidated financial statement of the organization.

Guidance

Guidance for Disclosure XXX-4-b-iii

When reporting on the primary activities of the entities in a tax jurisdiction, the reporting organization can provide a generic description of its main activities in that jurisdiction, for example, sales, marketing, manufacturing, or distribution. The organization does not need to list the activities of each entity in a tax jurisdiction separately. The description can be generic to the extent that a third party is able to clearly identify the reported business activity.

If the organization is dormant in a tax jurisdiction, it can specify this in the report.

Guidance for Disclosure XXX-4-b-iv

Employee numbers can be reported using full-time equivalent (FTE) calculations.

In addition to the number of employees within a tax jurisdiction, the organization can report the number of workers (excluding employees) performing the organization's activities within the jurisdiction, if this helps explain the organization's activities in the jurisdiction.

If an organization is unable to report exact figures, it can report the number of employees to the nearest ten or, where the number of employees is greater than 1000, to the nearest 100.

Guidance for clause 1.2

If any entities included in the organization's audited financial statement, or in the financial information filed on public record, are deemed by the organization not to be resident in any tax jurisdiction, the organization can list them as 'stateless entities'.

Guidance for clause 1.3

A significant part of an organization's contribution to the countries in which it operates are the salaries and wages it pays to its employees and their associated tax contributions.

Total employee remuneration represents the basis for calculating taxes withheld and paid on behalf of employees and is also an indication of the scale of activity of the organization in a tax jurisdiction.

Total employee remuneration in a tax jurisdiction can reflect the business substance of the entities within that jurisdiction, as it is likely to be aligned with the value provided by those entities to the organization as a whole.

Disclosure XXX-5 Country-by-country reporting

Reporting requirements

Disclosure XXX-5

The reporting organization shall report the following information for each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

a. Revenues by:

- **i. third-party sales;**
- **ii. intra-group transactions of the tax jurisdiction with other tax jurisdictions.**

b. Profit/loss before tax.

c. Tangible assets other than cash and cash equivalents.

d. Corporate tax paid on a cash basis.

e. Corporate tax accrued on profit/loss.

f. Reasons for the difference between corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.

g. Significant tax incentives.

1.4 When compiling the information specified in Disclosure XXX-5, the reporting organization shall:

- **1.4.1 include corporate tax accrued in the current year in the calculation of corporate tax accrued on profit/loss, and exclude deferred corporate tax or provisions for uncertain tax positions;**
- **1.4.2 when reporting on Disclosures XXX-5-a, XXX-5-b, and XXX-5-c, and in the calculation specified in clause 1.4.1, use the data stated in its audited financial statements, or in the financial information filed on public record. Where these data do not reconcile, the organization shall provide an explanation for the difference.**

Reporting recommendations

1.5 The reporting organization should report the following additional information for each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:

- 1.5.1 Taxes withheld and paid on behalf of employees;
- 1.5.2 Taxes collected from customers on behalf of a tax authority;
- 1.5.3 Industry-related and other taxes or payments to governments;
- 1.5.4 Significant uncertain tax positions;

1.5.5 Balance of intra-company debt held by entities in a tax jurisdiction and the average interest rate paid on that debt.

Guidance

Background

Country-by-country reporting provides financial, economic, and tax-related data, as well as data on other payments to governments made by an organization, for each jurisdiction in which the organization operates.

Corporate tax paid on a cash basis, corporate tax accrued on profit/loss, taxes withheld and paid on behalf of employees, taxes collected from customers on behalf of a tax authority, and industry-related and other taxes or payments to governments constitute a significant proportion of an organization's tax and payments to governments.

Revenues, profit/loss before tax, and tangible assets other than cash and cash equivalents are indicators of the organization's scale of activity within a tax jurisdiction. They are not absolute measures when considered on their own, but when read in conjunction with other required and recommended indicators, such as primary activities of entities, number of employees, and total employee remuneration, they can inform assessments about the level of taxes being paid in a jurisdiction.

Guidance for Disclosure XXX-5

Unless otherwise stated, country-by-country data is to be reported at the level of tax jurisdictions and not at the level of individual entities.

In addition to Disclosures XXX-5-a, XXX-5-b, and XXX-5-c, the reporting organization can disclose any other information it deems relevant for understanding the scale of its activity within a jurisdiction. The organization can also report any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.

Guidance for Disclosure XXX-5-a

When reporting revenues for a tax jurisdiction, the organization is required to report third-party sales in the jurisdiction, and intra-group transactions between that jurisdiction and other tax jurisdictions. Intra-group transactions within the same tax jurisdiction are not included in this disclosure, but the organization can report this information separately.

Intra-group transactions between entities or related parties from different tax jurisdictions can influence the tax bases of the jurisdictions involved in these transactions. Intra-group transactions between entities or related parties within the same tax jurisdiction do not affect the tax base of the organization within that jurisdiction.

For this reason, revenues reported under this disclosure are a more appropriate indicator of an organization's scale of activity in a tax jurisdiction than aggregated revenues. Aggregated revenues face the risk that local revenues are double-counted, which might create a misleading impression among investors and other stakeholders about the organization's scale of activities in a jurisdiction.

Guidance for Disclosure XXX-5-b

When reporting profit/loss before tax for a tax jurisdiction, the organization can calculate the sum of the profit/loss before tax for all entities resident in the jurisdiction.

Guidance for Disclosure XXX-5-c

When reporting tangible assets for a tax jurisdiction, the organization can calculate the sum of the net book values of tangible assets for all entities resident in the jurisdiction. Tangible assets, in the context of this disclosure, do not include cash or cash equivalents, intangibles, or financial assets.

Guidance for Disclosure XXX-5-d

When reporting corporate tax paid on a cash basis for a tax jurisdiction, the organization can calculate the total actual corporate tax paid during the reporting period by all entities resident in the jurisdiction. It includes cash taxes paid by entities to the tax jurisdiction of residence and to all other tax jurisdictions (e.g., withholding taxes suffered in other tax jurisdictions).

If withholding taxes are suffered in other tax jurisdictions, the organization can report the amount of withholding tax paid to the other tax jurisdictions separately.

Guidance for Disclosure XXX-5-f

When reporting the reasons for the difference between corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax, the organization can specify the reconciling items that explain the difference, per tax jurisdiction during the reporting period, excluding deferred tax.

The organization can collate smaller reconciling items into a generic category, such as 'other', provided these do not exceed 10% of the reported difference. A sufficient explanation of this difference is meant to enable a third party to form a reasonably informed assessment.

In addition to providing a qualitative explanation, the organization can report a quantitative corporate tax reconciliation. Positive and negative items cannot be offset in the quantitative reconciliation.

Guidance for Disclosure XXX-5-g

Tax incentives refer to any special tax provisions where an entity benefits from preferential tax treatment, for example, tax holidays, tax credits, or any entity-specific tax ruling.

When reporting significant tax incentives for a tax jurisdiction, the organization can also report the expiration date, investment requirements, and likely long-term tenability of each tax incentive.

Guidance for clause 1.4.2

Audited financial statement refers to the audited consolidated financial statement of the organization.

Guidance for clause 1.5.1

Taxes withheld and paid on behalf of employees refer to taxes withheld by the organization from employee pay to be paid to the tax authorities. These can include income taxes, payroll taxes, and social security contributions.

Guidance for clause 1.5.2

Taxes collected from customers refer to taxes and duties charged on and collected on the sales of certain goods and services. These are paid by the organization to the tax authorities on behalf of customers.

Guidance for clause 1.5.3

Examples of industry-related or other taxes and payments to governments include:

- industry taxes (e.g., energy tax, airline tax);
- property taxes (e.g., land tax);
- product taxes (e.g., customs duties, alcohol and tobacco duties);
- taxes and duties levied on the supply, use, or consumption of goods and services considered to be harmful to the environment (e.g., vehicle excise duties).

Guidance for clause 1.5.4

When reporting significant uncertain tax positions for a tax jurisdiction, the organization can report the value of the tax positions in line with its audited financial statements, or the financial information filed on public record.

The organization can provide a description of tax positions that are not agreed with the relevant tax authorities at the year-end date (excluding current-year tax positions). The description can include the nature of the disagreement and the reasons for any change in tax positions that occurred during the year, where relevant.

Question 3:

The topic-specific disclosures in *GRI XXX: Tax and Payments to Governments* requires an organization to report on their entities and activities by tax jurisdiction and on their tax and payments to governments in different tax jurisdictions.

Are any of the topic-specific disclosures in *GRI XXX: Tax and Payments to Governments* not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?

When reviewing the topic-specific disclosures, you might consider issues of commercial sensitivity, data management processes and other obstacles to reporting the information. If there is a specific part of the disclosures that you believe is difficult to report on, please outline the reasons why and whether this difficulty could be overcome over time.

When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
	Accountancy Europe believes that the topic specific disclosures are understandable and feasible, particularly as so many of the organisations likely to identify tax as a material issue should already have this information available to deal with their BEPS Action 13 reporting requirements. Concern has been raised that by aligning the reporting of significant uncertain tax positions to monetary values disclosed in the audited financial statements or other information filed on public record, undertakings may fail to report on significant uncertain positions for which they have made no provision – but which could still prove to be material if the position is overturned by a tax authority. Perhaps it could be stressed that organisations should, therefore, consider whether they need to disclosure uncertain tax positions that have no provision in the financial statements but could result in tax liabilities occurring should the position fail if challenged by tax authorities.

Glossary

This Glossary includes definitions for terms used in this Standard, which apply when using this Standard. These definitions may contain terms that are further defined in the complete *GRI Standards Glossary*.

All defined terms are underlined. If a term is not defined in this Glossary or in the complete *GRI Standards Glossary*, definitions that are commonly used and understood apply.

entity

separate business unit of the organization that is included in the organization's audited consolidated financial statements

principal entities

entities that account for 90% of the turnover of the organization within a tax jurisdiction, which include domestic or international customers, and intra-group or third-party transactions

tax jurisdiction

State or non-State jurisdiction that has fiscal autonomy

employee

individual who is in an employment relationship with the organization, according to national law or its application

governance body

committee or board responsible for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders

highest governance body

formalized group of persons charged with ultimate authority in an organization

> **Note:** In instances where the highest governance body consists of two tiers, both tiers are to be included.

remuneration

basic salary plus additional amounts paid to a worker

> **Note:** Examples of additional amounts paid to a worker can include those based on years of service, bonuses including cash and equity such as stocks and shares, benefit payments, overtime, time owed, and any additional allowances, such as transportation, living and childcare allowances.

worker

person that performs work

> **Note 1:** The term 'workers' includes, but is not limited to, employees.

> **Note 2**: Further examples of workers include interns, apprentices, self-employed persons, and persons working for organizations other than the reporting organization, e.g., for suppliers.

> **Note 3:** In the context of the GRI Standards, in some cases it is specified whether a particular subset of workers is to be used.

Question 4:

Do you have any comments on the definitions included in the glossary of *GRI XXX: Tax and Payments to Governments (line numbers 588 - 625)*?

If you want to comment on a specific word, sentence, or paragraph in the glossary, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
600-601	Accountancy Europe believes that all references made to 'tax jurisdiction' in respect to country by country reporting should be changed to 'jurisdiction'. Reporting should be aligned where business activities take place and the use of 'tax jurisdiction' could give the misleading impression that it is only necessary to make tax topic specific disclosures for those jurisdictions where the organisation makes material tax payments.

Are there any additional terms in the draft Standard that need to be defined?

If there are any additional terms that need to be defined, please provide a suggested definition or reference an appropriate existing definition for the term.

Line number(s)	*Comment*
	Accountancy Europe has not identified any additional terms in the draft Standard that need to be defined.

References

The following documents informed the development of the Standard and can be helpful for understanding and applying it.

Authoritative intergovernmental instruments:

1. International Financial Reporting Standards (IFRS) Foundation, *IAS 12 Income Taxes*, 2016.

2. Organisation for Economic Co-operation and Development (OECD), *Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, 2015.

3. United Nations (UN) Resolution, 'Transforming our world: the 2030 Agenda for Sustainable Development', 2015.

Question 5:

Are there additional references, other than those listed in *GRI XXX: Tax and Payments to Governments (line numbers 626 - 635)*, that could be useful in understanding and applying the Standard?

Comment

Accountancy Europe believes that our publication on Providing support in tax controls and assurance could be useful in providing additional context as to the recent developments in enhanced tax transparency in an increasing number of jurisdictions and also the value of having independent assurance of tax disclosures.

Questions relating to the complete Standard

Question 6:

The GRI Standards are designed to help organizations disclose meaningful and comparable information about their economic, environmental, and social impacts. This information can then be used by stakeholders such as investors, civil society organizations, and others, to make informed decisions.

The disclosures in *GRI XXX: Tax and Payments to Governments* allow report users to understand an organization's tax practices in relevant jurisdiction.

Are there any disclosures in *GRI XXX: Tax and Payments to Governments* that are not critical to understanding an organization's tax practices?

When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
	Subject to the one reservation in our response to Question 2, Accountancy Europe has not identified any disclosures that are not critical to understanding an organisation's tax practices.

Are there any critical disclosures missing from *GRI XXX: Tax and Payments to Governments* that are necessary to understanding an organization's tax practices?

When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.

Line number(s)	*Comment*
370-371	In view of the reputational risks that an undertaking may face from its advocacy activities in respect of tax and payments to government, we feel that it may be useful to have a specific reference to such activities in Disclosure XXX-2. We believe that it would be beneficial that undertakings consider the risks in their advocacy activities and then design and implement systems that both mitigate those risks and also ensure that the advocacy activities are consistent with its stated policies and goals. In order to provide additional clarity, it may be beneficial to explain why current-year tax positions are excluded. We assume that it is to accommodate jurisdictions where there is a delay between the filing of audited financial statements and the submission of the relevant tax return, which may result in certain tax positions not being properly developed at the point that the GRI G4 report is produced.

Question 7:

If you are a reporting organization, do you believe the draft Standard as it is presented in this form and/or the topic of tax and payments to governments, would be material for your organization?

When responding to this question, please provide a rationale for your comments.

Comment

Not applicable

Question 8:

If you represent an organization that is currently reporting publicly on tax and payments to governments, how do the disclosures in *GRI XXX: Tax and Payments to Governments* compare to what you are currently reporting?

Comment

Not applicable

Is your organization subject to any existing public reporting requirements on tax and payments to governments? If so, which one/s?

Comment

Not applicable

Question 9:

Do you have any other comments or suggestions related to this draft Standard?

When responding to this question, please provide a rationale for your comments and/or provide an *alternative wording suggestion, where relevant. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)	*Comment*
	Accountancy Europe supports GRI's initiative in producing this draft tax Standard. Accountancy Europe believes that having an international standard for such disclosures is preferable to disconnected and potentially contradictory national and regional standards. We also believe that private sector initiatives in this area will contribute to more constructive and less confrontational discussions between the stakeholders interested in this topic. For the sake of full disclosure, the Chair of Accountancy Europe's Tax Policy Group, Mr van der Enden, was a member of the multi-stakeholder Technical Committee of experts that helped develop the draft standard. The views presented in this response are those of Accountancy Europe and do not represent the personal views of Mr van der Enden.