

# INVESTORS' RECOMMENDATIONS ON CORPORATE INCOME TAX DISCLOSURE

Investors would benefit from an enhanced level of corporate income tax related disclosure by companies. The following list includes the disclosure recommendations of a group of global investors who were brought together by the Principles for Responsible Investment (PRI).

The items listed in this document do not refer to other types of corporate taxes and contributions such as VAT, sales taxes or royalties.

Companies are encouraged to disclose information, addressing tax policy, governance and performance to the highest degree possible and with increasing quality over time. This information may be provided through multiple channels. These include a stand-alone tax policy, the proxy circular, the annual report or sustainability report and/or the company website. Companies should make an effort to cross reference these presentations in order to allow investors to evaluate a company's tax strategy and exposure in context. To that end, investors would benefit from clear links between tax risks, tax strategy and performance, wherever possible.

## GLOBAL INVESTOR TASKFORCE ON CORPORATE TAX RESPONSIBILITY

This document has been developed in collaboration with the following organisations:

- Alliance Trust plc (ATI)
- Arisaig Partners (Asia) Pte Ltd
- Bâtirente (advised by Æquo SES)
- Domini Impact Investments LLC
- ERAFP (French public service additional pension scheme)
- Legal & General Investment Management
- MFS Investment Management
- NEI Investments
- Rathbone Brothers plc
- Triodos Investment Management.

## POLICY

**Disclosure of a tax policy signed by a board-level representative outlining the company's approach to taxation and how this approach is aligned with its business and sustainability strategy.**

A comprehensive tax policy would:

- outline the organisation and board view on corporate income tax, with particular reference to its impact on the overall profitability of the company, as well as its broader economic impacts;
- discuss how the company's tax policy protects stakeholders' trust, enhances the company's license to operate and aligns with its corporate values/code of conduct;
- state the company's risk appetite in relation to tax activities, including examples of acceptable and unacceptable practices and a narrative on major tax risks;
- provide an overview of the firm's general tax structure and strategies, including the linkage between where profits are booked and the factors that indicate genuine commercial activity in those locations (e.g. how transfer prices are set within the group and how tax havens are used, if applicable);
- describe the company's current relationships with tax authorities and other stakeholders (i.e. consumers and civil society organisations) and explain if engagement with stakeholders has impacted the tax policy;
- describe the process in place to interpret the law and deal with ambiguity;
- discuss advocacy and lobbying activities on tax including membership in trade associations active on tax policy;
- include any reference to third party standards and guidelines covering tax related issues;
- commit to ongoing and transparent tax-related reporting.

## GOVERNANCE AND RISK MANAGEMENT

**Information on tax governance and management of the tax policy and related risks.**

Good disclosure would provide evidence that:

- tax governance is part of the risk oversight mandate of the board, including the setting of clear responsibilities and mechanisms to maintain compliance with the firm's tax policy;
- the board discusses the ramifications of the company's approach to tax on its brand and reputation, including assessing potential stakeholders' perceptions regarding the "spirit" of tax laws;
- the tax policy and strategy are reviewed at least annually by the full board, in addition to any board committees tasked with assessing risk;
- the company provides regular training and guidance for all relevant staff (including those not directly involved in the execution of the tax strategy) on the linkages between tax and overall corporate strategy;
- the company provides whistleblowing channels to report tax-related activities or decisions that are not aligned with the company's tax strategy.

## PERFORMANCE

**Transparency on tax strategies, tax-related risks and country-by-country activities.**

Detailed reporting would provide an overview of:

- the primary drivers of the gap between the effective tax rate and the weighted average statutory rate based on the firm's geographic sales mix, with particular emphasis on the key tax strategies employed (including the role, if any, of intellectual property and transfer pricing) and potential regulatory changes related to those strategies;
- the new tax strategies being employed by the company that are leading to increases in the company's unrecognised tax benefit balances;
- the firm's intercompany debt balances, including the countries where the debt is held and the average interest rate paid by the firm's subsidiaries on that debt;
- the most financially-material tax incentives (e.g. tax holidays) provided by various jurisdictions, including information on the expiration date of each incentive, the investment requirements of each incentive, and commentary regarding the likelihood that such incentives will not be renewed;
- country-by-country reporting details, including a list of all subsidiaries and their business nature (as required by the appropriate OECD-BEPS templates);
- current disputes with tax authorities.

For a broader exploration of why aggressive tax strategies are material to investors, more information about red flags to look out for and the complete list of questions to consider asking companies, please read the full guide [available here](#) or contact:



**Valeria Piani**  
Associate Director, ESG  
Engagements

[valeria.piani@unpri.org](mailto:valeria.piani@unpri.org)