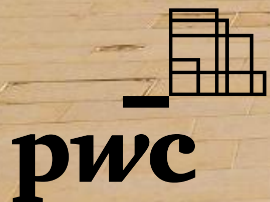
Building Public Trust Through Tax Reporting

Trends in voluntary tax reporting

Tenth edition

November 2023: A review of the FTSE350 for 2022/23 year ends



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Introduction – laying the foundations of the next round of tax transparency

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Welcome to the tenth edition of trends in voluntary tax reporting. In our last edition, we discussed how changes to reporting regimes will affect tax transparency. While many of these regimes are not yet fully in force, their implementation continues apace. Anecdotally, we know that many companies are currently preparing for when they will have to report under these new regimes and this is borne out by some of the findings from our latest review of the tax disclosures of the FTSE100.

Tax transparency remains an important topic for many stakeholders. In our recent poll of the general public it was voted as the most important area for an organisation to address to build trust with the public[1].

Governments and regulators are forging ahead with new tax reporting requirements

Country-by-country reporting (CbCR) is high on the agenda of many tax departments. Already in force for some companies in Romania[2], public CbCR will come into effect in most of the European Union (EU) from June 2024 following the implementation of the EU public CbCR directive. The directive applies to groups with annual revenues over €750m that are headquartered, or, subject to certain thresholds, have operations in the EU.

Companies that are subject to public CbCR will have to make detailed data, including revenues and profit before tax, publicly available by country for certain tax jurisdictions. This is expected to lead to increased scrutiny from a range of stakeholders, including investors, NGOs, customers and the public at large. CbCR is also central to the transitional safe-harbour rules for Pillar 2, which rely on calculations based, in part, on CbCR data.

Looking at tax reporting in financial statements, the Financial Accounting Standards Board (FASB) has voted to finalise disclosure rules on income taxes that standardise some of the items in a company's effective tax rate (ETR) reconciliation and would require reconciling items above a 5% threshold to be broken out by country. Cash tax payments are also included in the updated disclosure rules with a similar 5% threshold. Once in effect, these will apply to companies preparing financial statements under US GAAP.

Environmental, social and governance (ESG) reporting frameworks also continue to evolve. The implementation of the EU Corporate Sustainability Reporting Directive (CSRD) took a step forward with the adoption of the first European Sustainability Reporting Standards (ESRS) by the European Commission in June 2023. While not explicitly referring to tax, CSRD and the ESRS have implications for tax departments including the application of double materiality, the alignment of ESG disclosures with tax affairs and the management of tax risk. Where tax is identified as a material topic companies can use GRI 207 to report their tax information.

Finally, the UK Sustainability Disclosure Standards (SDS) will be based on the International Sustainability Standards Board's (ISSB) inaugural standards issued in June 2023. UK SDS will form the basis of any future requirements in UK legislation or regulation for companies to report on risks and opportunities relating to sustainability matters, including risks and opportunities arising from climate change.

Companies are saying more about tax as they set the scene for new disclosures

Our review of voluntary tax reporting by companies in the FTSE100 for their 2022/23 year ends reveals some significant increases in voluntary tax disclosures. These could indicate that companies are setting the scene in advance of the new mandatory disclosure requirements coming down the tracks. Tax transparency in the FTSE100 continues to increase, despite significant volatility in the make-up of the FTSE100. For additional commentary on our findings, please refer to appendix A.

This year we also reviewed the voluntary tax reporting for the FTSE250 for the first time to gain insights into how the tax reporting landscape is developing around the perimeters of the FTSE100. This review revealed that many smaller, more domestically-focused organisations are also making meaningful tax disclosures, suggesting there is proactive engagement with the transparency debate outside the FTSE100 as well. For example, seventeen FTSE250 companies disclose their Total Tax Contribution (TTC).

Preparing for new tax disclosure requirements takes time as the data needs to be collected and its accuracy and completeness reviewed. Draft disclosures also need to be road tested with a range of internal, and potentially external, stakeholders. With the new reporting requirements coming ever closer it is reassuring to see that many companies appear to be laying the groundwork already.

Benchmarking your tax disclosures

Staying up to date with the rapidly evolving tax transparency landscape can be challenging. If you would like to see how your voluntary disclosures compare to those of the FTSE100, or you would like to have a conversation about any of the topics raised in this publication, please don't hesitate to contact us.

[1] Research carried out by Opinium for PwC. Opinion gathered from a poll of 2,000 adults between 5th - 9th May 2023, which found that 61% of those polled said that tax transparency was an important factor when considering their trust in an organisation, and 28% said it was very important.

[2] The current Romanian legislation requires groups headquartered outside of the EU that have a medium or large subsidiary in Romania to disclose their CbCR data publicly. It is effective for this group from 1 January 2023, with reporting expected in 2024.

Developments in the international reporting landscape

EU Corporate Sustainability Reporting Directive (CSRD) - why tax matters

The EU's CSRD is part of an evolving global landscape of new sustainability disclosure requirements and regulations. The hope is that enhanced sustainability reporting will lead organisations to transform further and faster towards sustainable business models. CSRD covers ESG aspects of corporate performance requiring greater disclosure of the interaction between business strategy, value chains, and sustainability.

There is only very minimal reference made to taxes in the Directive and the underlying ESRS developed by the European Financial Reporting Advisory Group (EFRAG). However, tax issues do arise through a) the interaction of CSRD with the EU Taxonomy[3], and b) the joint interoperability statement signed by EFRAG and the GRI[4]. These links with tax raise the expectations of stakeholders and highlight the importance of considering tax in the CSRD double materiality assessment.

Tax intersects with CSRD reporting in a variety of ways. At a very high level, under the CSRD, companies will be required to collect, analyse, and disclose significant amounts of data around their business model and report on the sustainability impacts of their value chains, including both upstream and downstream activities. Large businesses[5] already provide value chain information to tax authorities via their master file as part of transfer pricing documentation. It is therefore critical that the information contained in CSRD reporting aligns with the information provided to tax authorities in transfer pricing documentation. Discrepancies could lead to increased tax risks, or at the very least, some awkward conversations with tax authorities. The master file can also provide an excellent starting point for some of the data required for CSRD reporting.

In addition, the individual ESRS contain a number of touchpoints with tax. For example, ESRS E1 has a focus on climate change and requires businesses to disclose their net zero transition plans. For many businesses, this new reporting could prompt a disclosure of their potential restructuring of operations to minimise risks (or capitalise on opportunities) associated with the organisation's business model from a sustainability perspective.

This could have direct and indirect tax impacts across the value chain. Consideration should also be given to how sustainability reporting deals with carbon taxes, other environmental taxes, tax incentives, and whether any data disclosed is aligned with broader tax reporting, e.g. Carbon Border Adjustment Mechanism (CBAM). Executive remuneration may also be based on the business hitting particular sustainability targets - requiring alignment across business operations and the people function.

Changes to business operations, structure, and footprints as businesses transform to become more sustainable could have a significant impact on the company's tax risk profile with environmental or carbon taxes becoming more commonplace across the company's value chain. Taking advantage of tax incentives may also become a more important part of strategic business decisions - as governments look to encourage particular corporate behaviours. For tax teams, collaboration with the wider business (sustainability, investor relations, people functions etc) will be critical to ensure there is alignment across the organisation's holistic approach to reporting.

Public Country-by-Country Reporting - a growing reliance on robust data and narrative

There have been significant developments around public country-by-country reporting (pCbCR) over the past 12 months. The EU's pCbCR Directive was due to be implemented by 22 June 2023, though some Member States are still in the process of transposing the Directive into domestic legislation.Of those that have transposed the directive, some have diverged from its minimum requirements.

The Australian government introduced proposals in April 2023 - and quickly amended and delayed its implementation following industry consultations - which would require pCbCR from large companies with operations in the country.

Since the introduction of CbCR under BEPS Action 13 in 2016, CbCR data for the majority of businesses has largely been used as a high-level transfer pricing risk assessment tool by tax authorities. There have been no requirements to reconcile the data with consolidated financial statements, other tax disclosures, or for it to be subject to scrutiny beyond that of tax authorities.

For those businesses that do not already disclose their CbCR data publicly, these developments could well prompt a reevaluation of the data collection processes in place, the governance frameworks and controls over those processes, and even perhaps a fresh look at the basis of preparation. It will be vital that businesses have confidence over this data given the reliance placed upon it (as well as for Pillar Two, see page 5). For those groups with limited EU operations, tax teams will need to assess where the reporting obligation falls within the corporate structure and balance the risks associated with a global versus a localised approach to disclosure[6].

The legislative and international developments over the last year fundamentally change the CbCR landscape, especially for businesses with EU operations. The prospect of disclosing CbCR data publicly for the first time poses significant risks from a transparency and reputational perspective as greater scrutiny will be placed on the data. Tax teams will need to consider what, if any, narrative is used to supplement the data and control the narrative that accompanies the CbCR.

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[3] 'ESG Gets Tax Teeth With EU's Corporate Sustainability Directive' Bloomberg, January 2023.

[4] The EFRAG and GRI joint statement of Interoperability states that the ESRS allow entities to use the GRI standards to report on additional material topics covered in GRI standards that are not covered by the ESRS. Tax is explicitly provided as one such example.

[5] Defined as undertakings with revenues of EUR 750 million.

[6] The EU pCbCR Directive states that subsidiaries must provide access to a report on all income tax information at their disposal as well as publish a statement indicating that their parent has not made all the information available.

Developments in the international reporting landscape (continued)

OECD Pillar Two - what are the developments tax teams should be aware of?

The Organisation for Economic Cooperation and Development (OECD) announced the Pillar Two CbCR-based Transitional Safe Harbour in December 2022. This will allow Multinational Enterprises (MNEs) to temporarily use their CbCR data in place of the new, and more complex, GloBE rules when assessing an MNEs jurisdictional-level ETR[7]. This is designed to ease the compliance burden on organisations during the initial years.

From a reporting perspective, there is a requirement for groups headquartered in the UK (or other territories which have substantively enacted the Pillar Two rules) and that report under International Financial Reporting Standards (IFRS), to disclose in their annual accounts of reasonably estimable information concerning the organisation's exposure to Pillar Two in their FY23/24 financial statements. In addition, any top-up taxes will need to be booked in interim accounts starting on or after 1 January 2024.

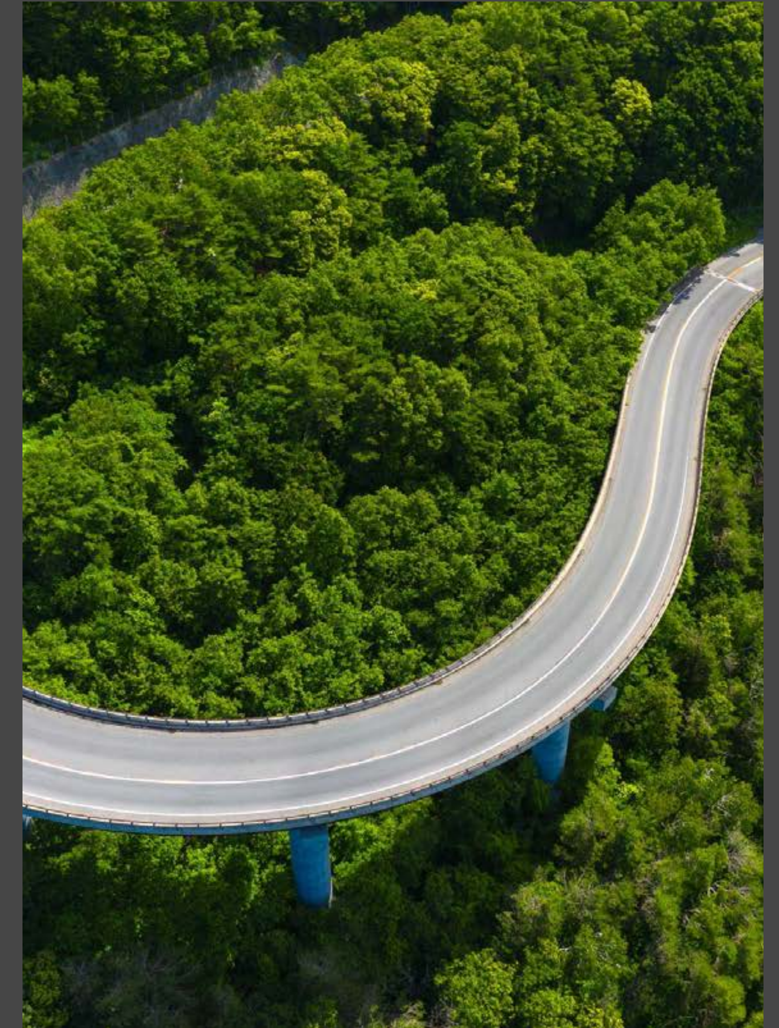
It will be important for tax teams to work with finance and technology teams to identify and extract the relevant information used to determine the group's exposure to the Pillar Two rules. Thought will need to be given to how key messages are going to be communicated to stakeholders.

US Developments - is tax transparency moving up the agenda?

The US has so far passed no CbCR proposals of its own, but it is clear that US business is beginning to prepare for greater transparency, whether from Europe, Australia, or other countries. There is currently debate within the business community on how to approach this, with several large US MNCs starting to publish transparency reports. A number of companies have also published global statements on their tax strategy.

In related developments, the FASB voted to finalise its disclosure rules under the Improvement to Income Tax Disclosures project that would require those that report under US GAAP large to publish more granular data about foreign income taxes, as well as an effective tax rate reconciliation requirement[8]. The rules will be effective for public business entities for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning December 15, 2025. It was also decided that the rules would be effective for entities other than public business entities for fiscal years beginning after December 15, 2026.

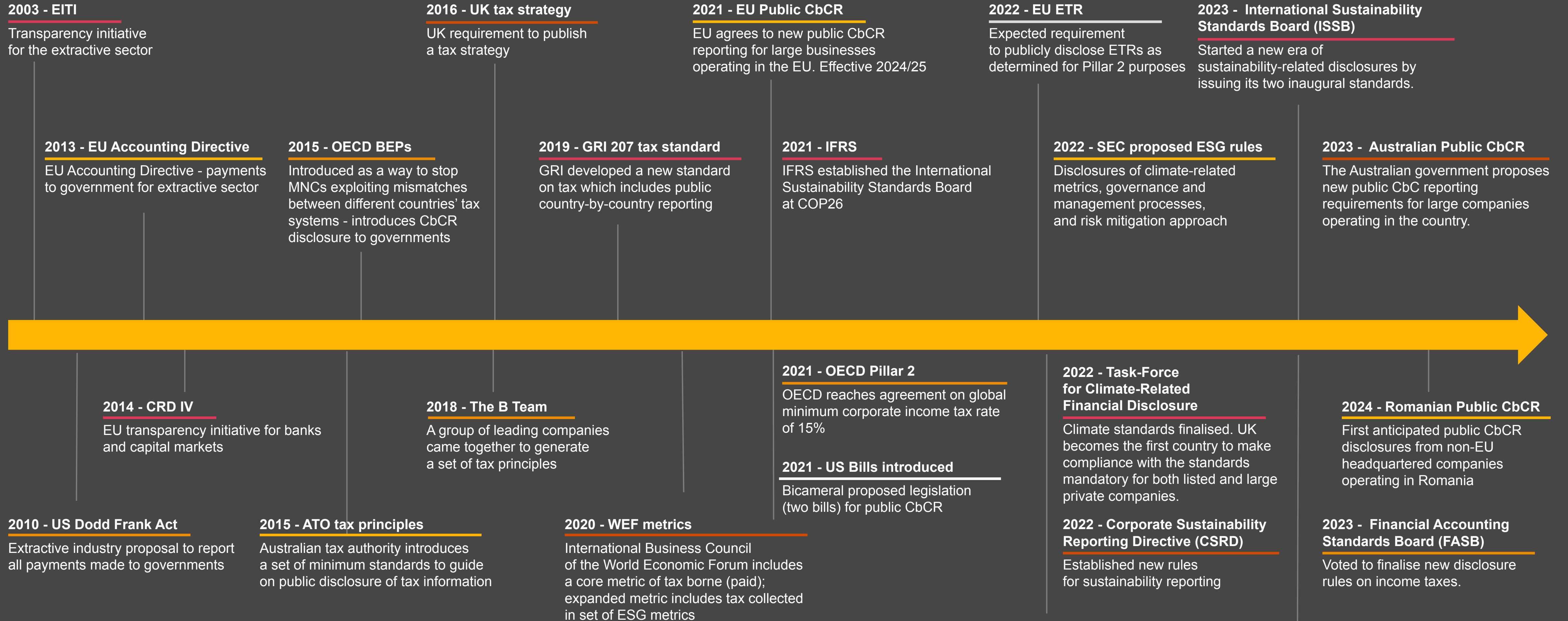
The FASB introduced the new reporting rules to address investor requests for greater transparency around income tax disclosures. Additionally, in the past 12 months several companies have seen shareholder resolutions calling for greater corporate reporting of taxes paid. While, to date, none of these proposals have been adopted, they have garnered substantial minority support (c.20-25%), indicating, once again, a change in investor sentiment.



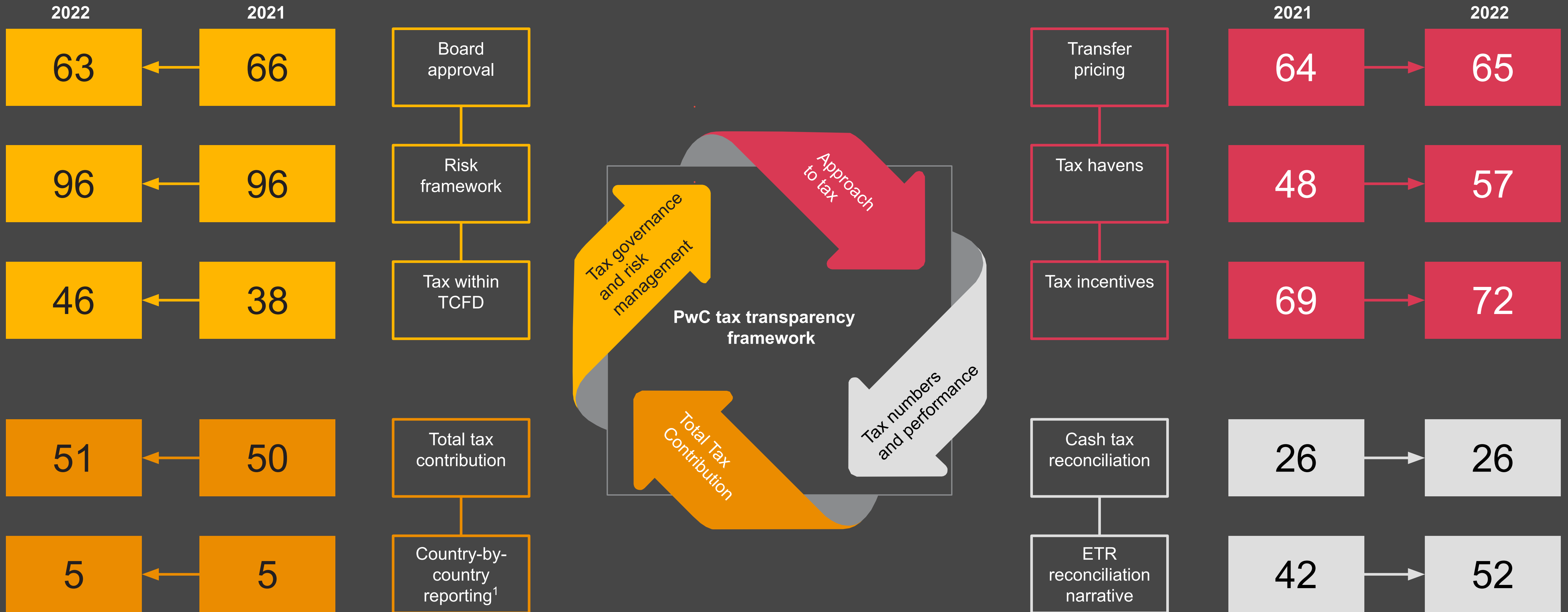
[7]The Transitional CbCR Safe Harbour effectively excludes from the scope of GloBE an MNEs operations in lower-risk jurisdictions in the initial years. This transitional safe harbour would exist for fiscal years beginning on or before 31 December 2026, but not including a fiscal year that ends after 30 June 2028.

[8]The rules require companies to standardise some of the items in their effective tax rate reconciliation and disclose reconciling items above a 5% threshold by country.

A history of transparency initiatives



Trends in transparency for 2022/23 year ends



Source: PwC analysis
The numbers shown refer to the number of FTSE100 companies.
[1]Country-by-country reporting (CbCR) disclosure refers to the public disclosure of CbCR data points per OECD BEPS Action 13 table 1.

How have companies responded to the evolving transparency landscape over time?

The voluntary reporting landscape has experienced significant change in recent years. This has principally been driven by the introduction of legislative requirements at both an international and national level, which has redefined what constitutes a voluntary disclosure. For example, the UK requirement for large businesses to publish a Tax Strategy in 2016 played a significant role in increasing tax transparency in the UK. The legislation established a new baseline for voluntary tax reporting across a number of areas of disclosure. This included requiring organisations to disclose information on their approach to tax and tax risk management for the benefit of different stakeholder groups.

The expectation from stakeholders has therefore developed over time with the minimum reporting requirements of mandatory regulation serving as a new starting point. Voluntary tax reporting has become more complex over time as organisations increasingly disclose additional information above that required from regulation.

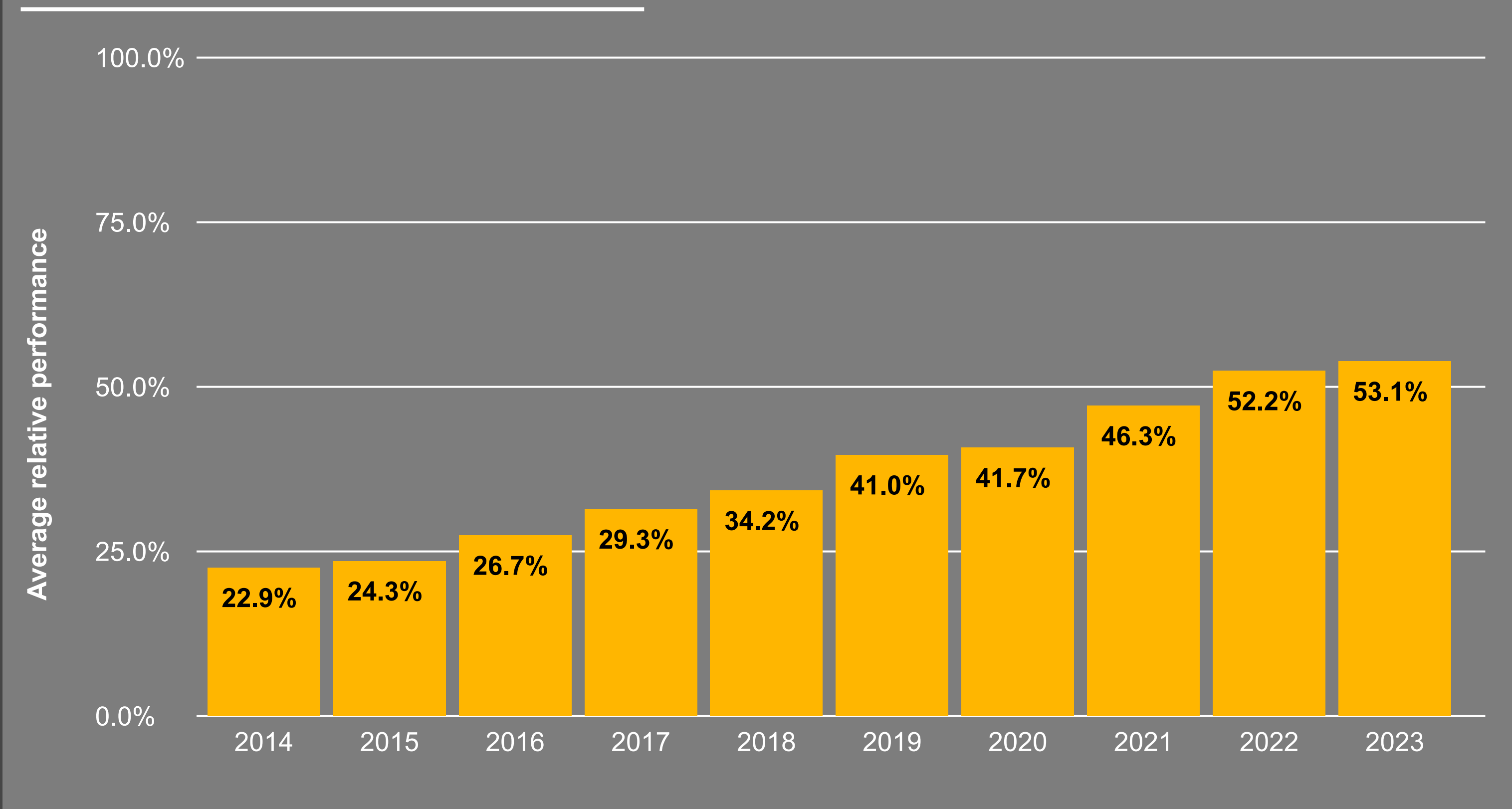
How has PwC captured this shifting landscape?

The PwC Tax Transparency Framework ('the framework') was developed in 2008 and focuses on voluntary tax reporting. It can be used as a quantitative benchmarking tool providing insights into how companies respond to developments in tax transparency by assigning marks based on certain criteria. Over time the framework has adapted to closely reflect the maturing transparency landscape.

Using the framework and data from our review of FTSE100 companies in the period 2014 - 2023, we have adjusted the criteria for each year and used data for the same number of companies present in the FTSE100 across all 9 years; this is to make it consistent and ensure a like-for-like comparison.

Figure 1 shows our analysis and the longer-term trends in transparency. In 2014, the average score against the adjusted criteria was 22.9%. In 2023 this average sits comfortably above 50% for the second year in a row, indicating that voluntary disclosures have continued to increase, building on mandatory legislation and becoming more complex.

Figure 1: Average relative performance of selected FTSE100 companies across the period 2014 - 2023 using like-for-like criteria.



Source: PwC analysis

How have voluntary disclosures changed?

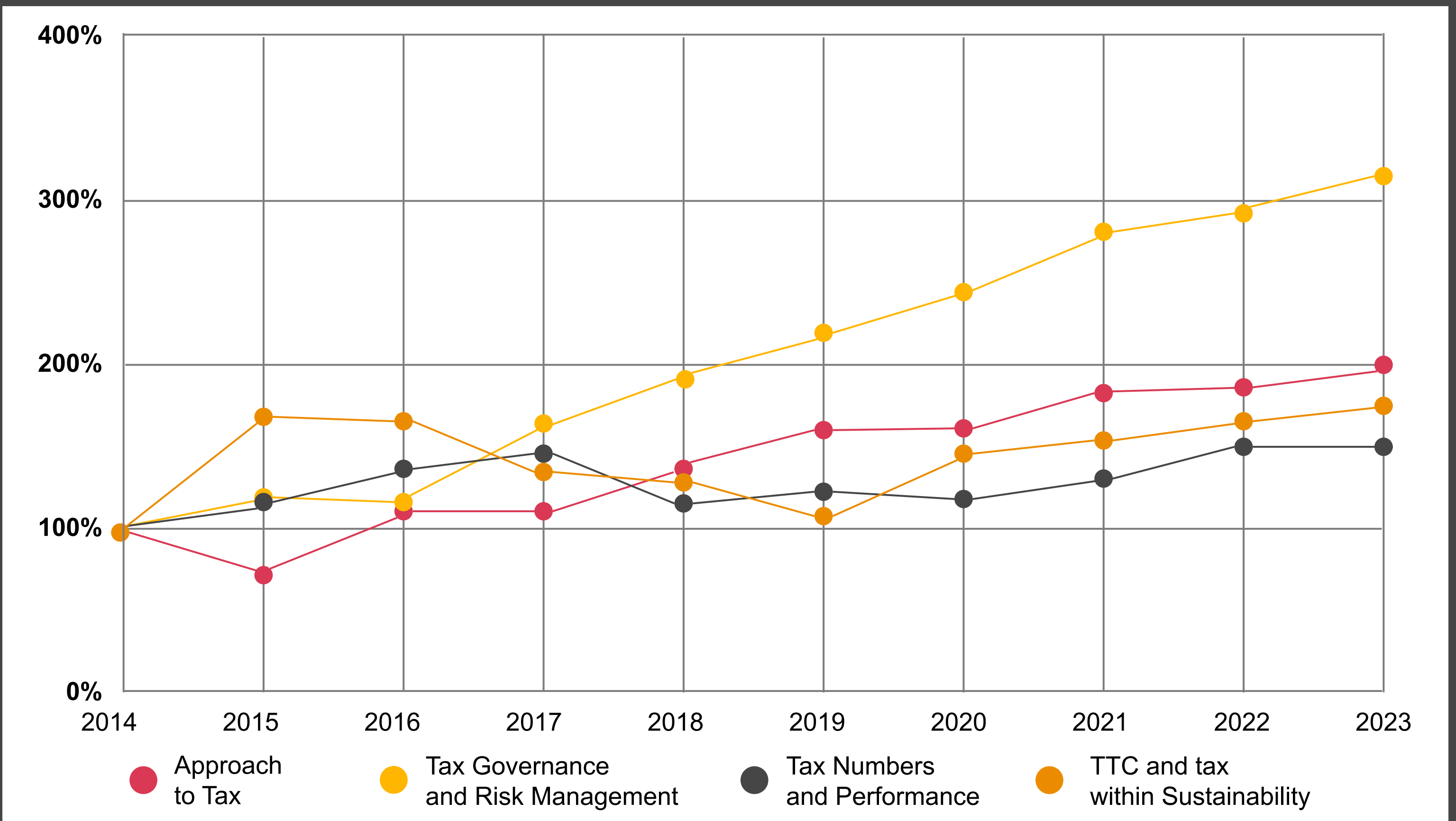
To map out how the voluntary reporting landscape has changed since 2014, we looked into some of the material disclosure topics for stakeholders on tax. Our analysis shows a continued gradual increase in the number of FTSE100 companies making voluntary disclosures across all four sections of the framework in the period.

The four sections of the framework are:

- Approach to Tax;
- Tax Governance and Risk Management;
- Tax Numbers and Performance; and
- Total Tax Contribution and Tax within Sustainability.

Figure 2 displays the average number of FTSE100 companies making voluntary tax disclosures across those sections of the framework, using 2014 as the base year and expressed as a percentage. All sections of the framework show significant increases in voluntary disclosure compared to 2014. The Tax Governance and Risk Management section in particular has seen the average number of companies making voluntary disclosures increase by over 300% in comparison to 2014.

Figure 2: Average number of FTSE100 companies making voluntary disclosures across the four sections of the PwC Tax Transparency Framework expressed as a percentage with 2014 as the baseline; (2014 = 100)



Source: PwC analysis

*Note that the decrease between 2018 and 2019 for the TTC and tax within sustainability line in the graph above is driven by a change in the makeup of the FTSE100.

How have voluntary disclosures changed? (continued)

We also looked into specific disclosure areas in order to understand the drivers behind these upward trends. Our analysis reveals that underneath the surface there have been some significant increases in the levels of voluntary disclosure. Figure 3 shows the number of companies making voluntary disclosures between 2014 - 2023 in the following areas:

- Tax Havens;
- Tax Risk Framework;
- Narrative on the future performance of the ETR; and
- Total Tax Contribution.

In every area more companies are currently making disclosures than in 2014 by significant margins. This indicates that while the increase in tax transparency at a broad level appears to be more gradual, individual areas of disclosure have seen significant changes over a short period of time.

What has driven these changes in the voluntary reporting landscape?

Tax Havens 01

NGO and regulator scrutiny of low-tax jurisdictions has intensified over recent years driven by a broader debate around the 'fair share' of tax paid by large multinationals. This trend accelerated during the COVID-19 pandemic as many governments around the world introduced state-backed financial support for businesses affected by public health measures. We expect further disclosures around tax havens in the future as more organisations prepare for EU pCbCR as well as the OECD Pillar Two rules.

Tax Risk Framework 02

Greater disclosure around tax risk management was a key part of the 2016 UK tax strategy legislation. In addition, HMRC has shown increasing interest in this area over recent years through Business Risk Reviews.

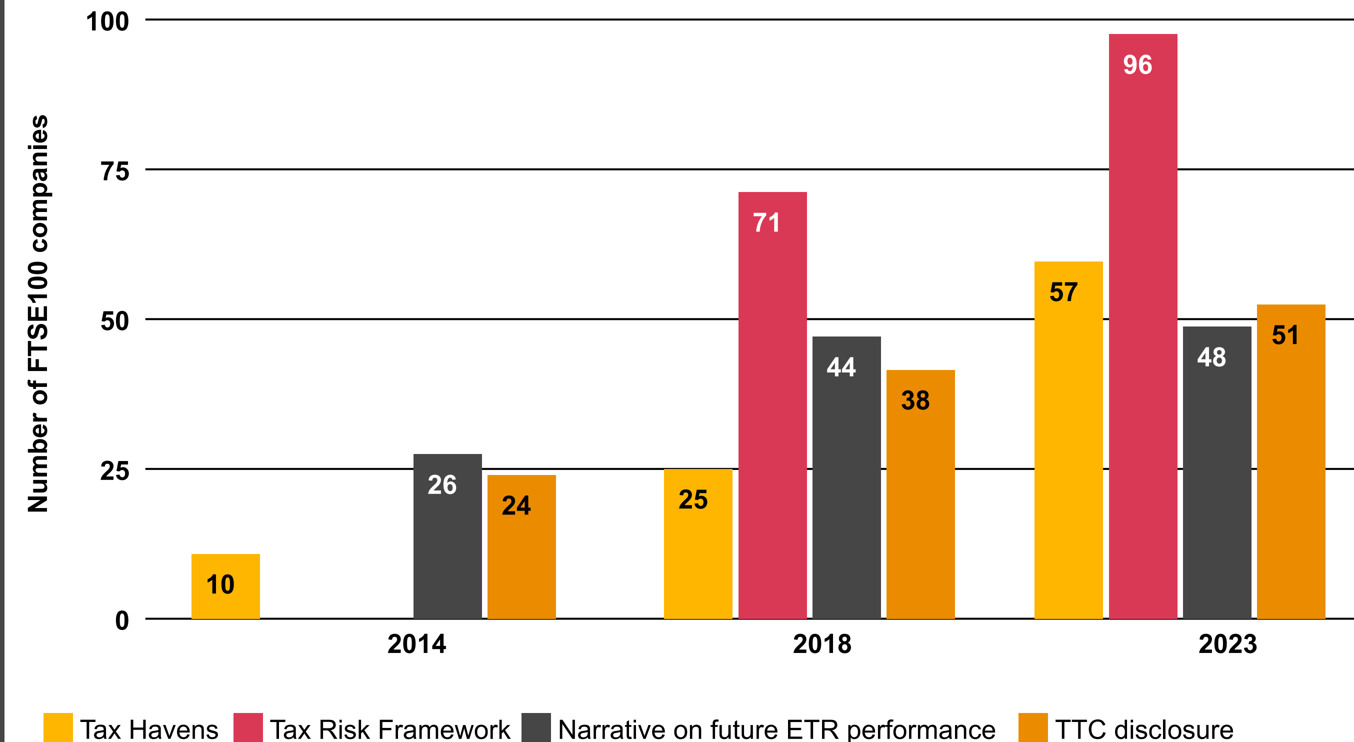
Narrative on ETR 03

The Financial Reporting Council (FRC) has released a number of publications since 2016 which have scrutinised income tax disclosures in the annual/interim accounts. The FRC has encouraged organisations to provide the users of financial statements with more information about the ETR.

Total Tax Contribution 04

The increasing number of companies disclosing their TTC is likely driven by incoming reporting requirements such as the EU's pCbCR Directive. The introduction of voluntary tax reporting initiatives/standards from civil society organisations such as the Global Reporting Initiative (GRI) and the World Economic Forum (WEF), has also accelerated the TTC disclosure trend[1].

Figure 2: Number of FTSE100 companies making voluntary tax disclosures across selected areas.



Source: PwC analysis

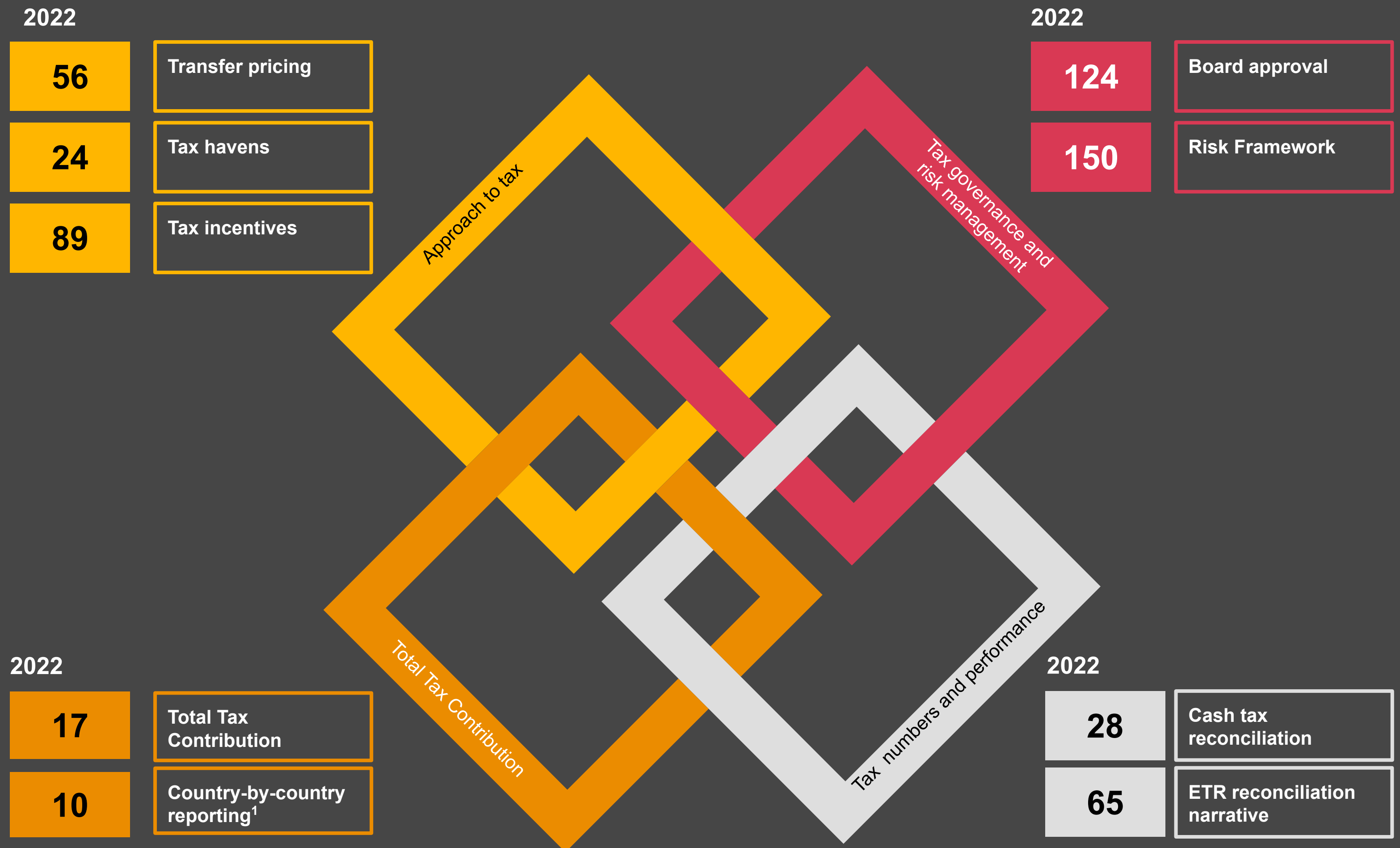
[1] The GRI 207 tax standard was introduced in December 2019 and has a focus on corporate income tax via 207-4, country-by-country reporting. The standard also makes further recommendations including the disclosure of the taxes collected by the organisation. Issued in September 2020, the WEF Stakeholder Capitalism Metrics were designed to increase voluntary ESG-related disclosures. Tax was included in the metrics in the form of the taxes borne element of TTC, with an expanded metric including the options of disclosing taxes collected or geographical analysis of TTC.

Voluntary Tax Reporting in the FTSE250 for 2022/23 year ends

The tax reporting requirements for large multinational groups can often be more complex, with greater interest from stakeholders in their tax affairs. In order to gain a more complete understanding of the tax reporting landscape around the perimeters of the FTSE100, this year we expanded our review to include the FTSE250 for the first time. While this review was more limited in scope than for the FTSE100, it has provided us with insights into the tax transparency landscape among smaller, more domestically-focused organisations. It revealed that a significant number of FTSE250 businesses make extensive voluntary tax disclosures.

- The tax strategies of 124 FTSE250 companies were approved by The Board, and 150 companies disclosed information concerning a tax risk framework. This suggests that there is strong engagement from senior management, as well as with stakeholders around tax risk management and governance.
- When discussing their approach to tax 56 companies disclosed information concerning their transfer pricing policies. Tax havens were discussed by 24 companies.
- Total Tax Contribution disclosures were made by 17 companies. Many provided a detailed breakdown of their TTC, including a breakdown by tax base for example.
- Country-by-country data was disclosed by 10 companies.

There is often a misconception that voluntary tax reporting is less relevant for smaller businesses and that engaging in the tax transparency debate has less value for these organisations. This review suggests, on the contrary, that there is proactive engagement with tax transparency among this group. In addition, many of the larger FTSE250 organisations fall within the scope of incoming mandatory reporting requirements, such as the EU's pCbCR Directive.



Source: PwC analysis

The numbers in the boxes represent the number of FTSE250 companies making the disclosure.

*Country-by-country reporting disclosure refers to the public disclosure of data points per OECD BEPS Action 11 table 1.

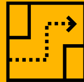
How can PwC help?

Developing a transparency strategy

The PwC tax transparency framework guides companies through the thought process needed to formulate a strategy that maximises the benefits of greater transparency.

With our insights into the evolving transparency landscape we can produce a transparency roadmap which summarises the risks and opportunities of developing your voluntary disclosures.

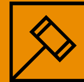
We can also perform an independent alignment review to assess whether, in our view, your current voluntary disclosures meet the tax reporting criteria of ESG standards including: GRI 207, WEF/IBC Metrics and SASB industry standards.



Tax governance

To publish with confidence companies need to invest in a robust tax control framework so that narrative statements and numbers confidently reflect the day to day reality. We can assist with:

- Current state process, risk and control assessment and gap analyses.
- Governance framework approach and roadmap/strategy to enhance.
- Automation opportunities to give greater certainty and control.
- Validating controls in place to help you achieve net zero.



Tax Contribution Report (TCR)

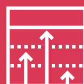
We can work with you to produce and design your organisation's first TCR, or update an existing one. We can assist with:

- Strawman report – work with you to develop the main structure of a TCR which you can build upon internally.
- TCR content support – we will work with you to draft the full report.
- TCR content update – we will help you expand your current TCR disclosures.
- Full TCR support – all of the above, working with our bespoke in-house design team, to support with the design and production of the final report.

Benchmarking

In the current environment where tax is increasingly a reputational issue, it's more important than ever to know how you compare to your peer group.

Using publicly available data and our own bespoke databases, we can carry out effective tax rate, TTC, or tax narrative benchmarking providing you with in-depth insights into what drives your tax profile and how to communicate this to internal and external stakeholders.

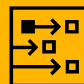


Tech-driven insights

We have an arsenal of bespoke tools available which can offer valuable insights into your tax data.

- TTC and CbCR analytics and visualisation. identifying outlying ratios.
- ETR and tax narrative benchmarking.
- ESG tax maturity assessment – using our Tax Management Maturity Model (T3M) to help you develop your approach to ESG tax strategy.

Please see our T3M offering for more information.



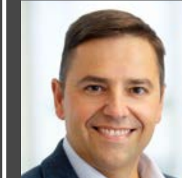
Total Tax Contribution

We have the knowledge, expertise and experience to support you through any stage of your TTC journey:

- Global TTC data collection.
- Reasonableness reviews.
- TTC assurance.
- TTC automation.

We are the market leader when it comes to TTC, having worked on the TTC framework for over 15+ years. You can find our comprehensive TTC guide here.

Contacts



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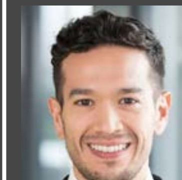

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Appendix A: PwC commentary on review of FTSE100 2022/23 year ends

Tax Havens

57 companies discussed tax havens in this year's review, an increase of 9 on 2021 year ends. This significant increase highlights that more companies are likely preparing for pCbCR, and to a lesser extent Pillar Two. The EU's pCbCR Directive includes disclosure requirements for companies with operations in the EU's list of non-cooperative jurisdictions; namely the 'black' and 'grey' lists. Data related to operations in such territories can not be deferred under the 'commercially sensitive' safeguard clause. HMRC is also increasing its activity in this area[1].

Transfer Pricing

Transfer pricing was discussed by 65 companies, up from 64 on 2021 year ends.Scrutiny around intra-group transactions will likely increase as a result of the EU pCbCR disclosure requirements. The Financial Reporting Council (FRC) recent focus on IAS 1 disclosure concerning significant estimates has likely driven much of the increase in public reporting in recent years.

Tax Incentives

Tax incentives were mentioned by 72 companies, an increase of 3 on 2021 year ends. The number of companies disclosing information around tax incentives has fluctuated over recent years, with the disclosure of one-off grants and reliefs that companies took advantage of during the COVID-19 pandemic driving much of the volatility. This year's increase is driven by the change in make-up in the FTSE100. We expect disclosures around tax incentives to increase as the EU's CSRD introduces stricter rules around sustainability reporting, and the interactions this has with tax.

Board Approval

Board approval of the company's tax strategy decreased by 3 on 2021 year ends to 62 companies. This decrease was largely driven by a change in the makeup of the FTSE100 during the year. HMRC guidance on large business tax strategies was updated in June 2018, and indicated that there should be approval of the board strategy.

Risk Framework

96 companies have a risk framework in place specific to tax. This is unchanged in comparison to the previous year review. The Department for Business and Trade (formerly the Department for Business, Energy, and Industrial Strategy) published a response[2] to feedback from its initial consultation in March 2021, recommending the creation of the Audit, Reporting and Governance Authority (ARGA), to take over from the FRC. The FRC has welcomed the consultation and indicated its support for the reforms[3].

Cash Tax Reconciliation

We found 26 companies providing a cash tax reconciliation. This is unchanged in comparison to the previous year review. Cash tax reconciliation is a voluntary disclosure which sets out the difference between the tax charge disclosed in the financial statements and the corporation tax paid by the company. The disclosure remains less common, but it is provided by companies seeking to explain and clarify to stakeholder groups, how the tax charge in the accounts relates to actual cash tax paid to the authorities.

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[1] HMRC looks to sniff out more British firms abusing tax havens, City AM, May 2023.
[2] Restoring trust in audit and corporate governance
[3] FRC position paper July 2022

Appendix A: PwC commentary on review of FTSE100 2022/23 year ends (continued)

Tax Reconciliation Narrative

52 companies provided additional narrative around their statutory/effective tax rate reconciliation, an increase of 10 on the 2021 year ends.

The large increase was partially driven by a change in the makeup of the FTSE100 during the year. There has been increasing interest from investors and regulators requesting more granular information on ETRs in recent years. As mentioned earlier in the report, the FASB voted to finalise its disclosure rules for US-based groups, requiring companies to publish more detailed information about foreign income taxes and an enhanced effective tax rate reconciliation requirement.

In the UK, the FRC released a review of companies' deferred tax asset disclosures in September 2022[1], building on a thematic paper published in 2016[2] which renewed focus on increasing income tax disclosures to meet stakeholders demands. This renewed focus from the FRC may have prompted UK-based companies to increase their disclosures in this area.

Total Tax Contribution

We found 51 companies disclosing their TTC, which is an increase of 1 on the previous year. The momentum seen in previous years may have abated as companies prepare internally for other developments on the horizon (i.e. pCbCR, Pillar Two, etc). The significant increase in TTC disclosures over recent years highlights the value many businesses see in collecting and publishing more holistic tax data, especially as the focus on corporate income tax continues to grow.

Tax within TCFD

We found 46 companies including tax within their TCFD, which is an increase of 8 on the 2021 year ends. Compliance with the TCFD framework has been mandatory for listed companies since 1 January 2021, making this the second year of disclosure for those companies in scope. The increase in the number of companies bringing tax within their TCFD highlights the growing integration of tax within sustainability more broadly. This is likely to gain momentum over the coming years due to the reporting requirements of the EU CSRD.

The tax disclosures ranged from expansive narrative and modelling on the anticipated risks of environmental taxes, to less advanced disclosures acknowledging that taxation is a potential risk to the business without going into further detail.

[1] FRC thematic review of deferred tax assets
[2] FRC thematic review of income tax disclosures

Appendix B: Country-by-country disclosure requirements

Below are the differences between CbCR disclosures required under the EU CbCR proposal, OECD and GRI 207-4.

	GRI 207-4	OECD	EU CbCR	Australian proposal*
Total Revenue	✗	✓	✓	✗
Revenue from third parties	✓	✓	✗	✓
Revenue from related parties	Between jurisdictions only	✓	✗	Between jurisdictions only
Profit/loss before tax	✓	✓	✓	✓
Cash tax paid	✓	✓	✓	✓
Tax accrued	✓	✓	✓	✓
Tangible assets other than cash and cash equivalents	✓	✓	✗	✓
Number of employees	✓	✓	✓	✓
Reasons for the difference between CIT accrued on profit/loss and the tax due if the statutory rate is applied to profit/loss	✓	✗	✗	✓
Total accumulated earnings	✗	✓	✓	✗
Stated Capital	✗	✓	✗	✗

*The original proposal required further disclosures such as expenses paid to related parties in other jurisdictions, the effective tax rates (ETR) for each jurisdiction calculated in line with Pillar Two ETR, and a list of tangible and intangible assets held by the group in each jurisdiction as well as book values of those assets. After feedback from public consultation these disclosures were removed from the revised proposal.

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