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Item 03 – Rough draft of *GRI XXX: Taxes and Payments to Governments [201X]*

For GSSB review and feedback

Date	11 September 2018
Meeting	25-26 September 2018
Project	Disclosures on tax and payments to government
Description	This paper sets out the rough draft of a Taxes and Payments to Governments Standard, for the review and feedback of the GSSB. A list of defined terms is included in the Annex.

Background

The GSSB initiated a project to develop new disclosures related to tax and payments to governments, which will be considered for incorporation into the GRI Standards. In line with the GSSB's Due Process Protocol, a multi-stakeholder Technical Committee (hereafter 'TC') has been formed to develop and recommend draft disclosures related to tax and payments to government.

Since January 2018, the Technical Committee has convened six virtual meetings and one intensive, two-day workshop.

This paper sets out the rough draft of a Taxes and Payments to Governments Standard as developed by the TC to date, for the review and feedback of the GSSB.

This draft has been the subject of a stakeholder peer review throughout July and August. 30 organizations participated directly in this peer review, 13 via a webinar session and the other 17 providing direct verbal or written feedback. Approximately a third of those engaged represent the business constituency.

The draft Standard set out in this paper is the version that was circulated for peer review and does not incorporate any additional changes. As such, it is preliminary and is subject to further work by the TC during September and October in response to feedback collected during the peer review, as well as feedback from the GSSB.

This working draft is shared with the GSSB for their initial feedback and discussion.

The public comment draft is expected to be submitted to the GSSB on 25 October 2018, and subsequently released for a 90-day public comment period in mid-November 2018.

Overview of the draft Standard

The draft Standard consists of five disclosures, three management approach disclosures and two topic-specific disclosures:

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

The management approach disclosures, which are focused on tax strategy, governance, control, risk, and stakeholder engagement, are intended to provide insight into how the reporting organization balances tax compliance with regulations, business concerns regarding taxes and payments to governments and ethical, societal, and sustainability-related expectations.

The topic-specific disclosures are focused on country-by-country reporting of taxes and payments to governments. Country-by-country reporting is the reporting of financial and economic data and the payments to governments made by the organization on a tax jurisdiction-by-jurisdiction basis. This assists stakeholders in understanding an organization's scale of activity and its corresponding approach to taxes and payments to governments across the tax jurisdictions in which it operates. It also provides insight into the reputational and financial risks inherent in an organization's transactions.

GSSB feedback requested

The GSSB is asked to flag any concerns with the proposed contents, including any feedback on whether the draft Standard is clear, feasible, complete and relevant.

GRI [XXX]: Taxes and Payments to Governments [201X]

Draft Standard provided to stakeholders for the purpose of peer review.

July & August 2018

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: Taxes and Payments to Governments* sets out reporting requirements on the topic of taxes 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 [XXX]. 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). These 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:

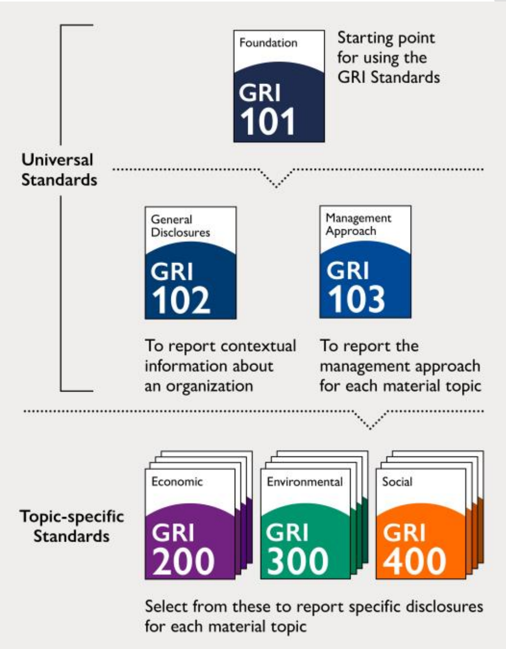
GRI 101: Foundation

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. These 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.

1. 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.

2. 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.

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, an 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 taxes and payments to governments.

Taxes and payments to governments are important sources of government revenue. They finance vital social and economic infrastructure and public services.

Taxes provide a means to fairly distribute wealth, as well as social cost. There is a fundamental obligation to comply with tax legislation and a stakeholder expectation that organizations are responsible in their tax practices.

Corporate income tax reflects that profitability is reliant on many factors external to the organization, including access to markets, use of public infrastructure, the availability of human capital and a public administration.

If a tax-payer seeks to minimize their obligation in a particular place, they may be depriving local governments of important income leading to a reduction in public investment in infrastructure and services, an increase in the level of debt assumed by that government or, at the very least, shifting the tax burden to other stakeholders.

Perceptions of tax-avoidance may also undermine compliance more broadly, encouraging behavior on the basis of the 'need to compete' and potentially increasing costs associated with regulation and enforcement.

Similarly, an effective tax system underpins an inclusive and stable economy. Taxes and other payments to governments can serve as incentives to change behavior and help create conditions to encourage investment and stimulate economic activity.

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 over time.

Organizational information related to taxes and payments to governments has generally been limited, apart from disclosures in certain sectors based on voluntary guidelines and mandated by regulations in a few jurisdictions.

Good public policy making calls for all stakeholders to have equal access to quality information. Given the low level of transparency and complex technical nature of information on taxes and payments to governments historically, discussion on this topic has been perceived as inaccessible by many stakeholders. Increased transparency will enable more informed public debate and create a context for the development of more desirable tax policy outcomes from societal perspective.

This Standard sets out disclosures related to tax strategy, governance, control, risk, and stakeholder engagement, as well as country-by-country reporting of income, taxes, and business activities.

Country-by-Country Reporting

Country-by-country reporting of taxes and payments to governments is the reporting of financial and economic data and the payments to governments made by the organization on a tax jurisdiction-by-jurisdiction basis.

Country-by-country reporting can help stakeholders understand the reputational and financial risks inherent in an organization's transactions. It also provides insight into an organization's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which it operates.

GRI XXX: Taxes 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 (this section references GRI 103)
  - Disclosure XXX-1 Approach to taxes and payments to governments
  - Disclosure XXX-2 Tax governance, control, and risk management
  - Disclosure XXX-3 Stakeholder engagement and management of concerns
- Topic-specific disclosures
  - Disclosure XXX- 4 Entities and activities by tax jurisdiction
  - Disclosure XXX- 5 Country-by-country reporting

Disclosure of the local entities that constitute an organization and the primary activities of that organization by tax jurisdiction provides the essential context needed to understand its country-by-country reporting. For this reason, the reporting organization is expected to report on both topic-specific disclosures of GRI [XXX].

Unless otherwise specified an organization is expected to compile information for these disclosures using figures consistent with its audited financial statements[1] or with the financial information that the organization has filed on public record.

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

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 reporting on the topic of taxes and payments to governments is required to report its management approach for this topic using 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 taxes 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 taxes and payments to governments using *GRI 103: Management Approach*.

1.2. When reporting its management approach using *GRI 103*, the reporting organization shall report the following additional information:

Disclosure XXX-1 Approach to taxes and payments to governments

Reporting requirements

Disclosure XXX-1
A description of the approach to taxes and payments to governments, including: **a. whether the organization has a tax strategy and, if so, where this strategy may be read if publicly available;** **b. the <u>governance body</u> or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;** **c. how the tax strategy describes the approach to regulatory compliance;** **d. how the tax strategy is linked to the business and sustainable development strategies of the organization and to the broader economic needs of the societies in which the organization operates.**

Guidance

Background for Disclosure XXX-1

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

The tax strategy (or equivalent document) communicates how the organization balances tax compliance with regulation and business concerns regarding taxes and payments to governments with ethical, societal, and sustainability-related expectations. It is a key building block of an organization's approach to managing taxes and sets out the organization's tax principles, its attitude to tax planning, the degree of risk the organization is willing to accept, and its approach to engagement with tax authorities. The tax strategy is usually approved by a senior executive or a member of the highest governance body of the organization such as the board of directors.

Guidance for Disclosure XXX-1

When describing the approach to taxes and payments to governments, the reporting organization is expected to contextualize the narrative description of its approach with specific examples drawn from its tax practices, for example, its approach to the use of tax havens or specific tax incentives. These examples can demonstrate the risk appetite of and the tax practices deemed acceptable and unacceptable by the organization and its highest governance body where applicable.

Where the organization does not have a tax strategy, it is expected to compile the information based on the equivalent document that underpins the tax approach of the organization and explain the reason for not having a tax strategy.

Guidance for Disclosure XXX-1-c

When describing the approach to regulatory compliance, the organization is expected to make clear its approach to interpreting the applicable laws, for example if it seeks to comply only with the letter of the law or with what it believes to be the legislative intent underpinning – or the 'spirit of' – the law.

Guidance for Disclosure XXX-1-d

When describing the link between the tax strategy and the business strategy, the organization can outline if its tax planning is aligned with the substance of its economic and commercial activity.

When describing the link between the tax strategy and the organization's sustainable development strategy and broader economic needs, the organization can make reference to whether it considers the broader economic or social impacts of its taxes and payments to governments in the countries in which it operates, as well as how any statements the organization has made about its social impact or contribution in other areas has been considered in the development of its tax strategy.

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

Reporting requirements

Disclosure XXX-2
A description of the tax governance and control framework, including: **a. the <u>governance body</u> or executive-level position within the organization that is accountable for compliance with tax strategy;** **b. how the stated approach to taxes and payments to governments or tax strategy is embedded within the organization;** **c. the approach to tax risks, including how risks are identified, managed, and monitored;** **d. how compliance with the tax governance and control framework is appraised;** **e. any mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to taxes;** **f. the assurance process for disclosures relating to taxes and payments to governments, including a reference to the assurance report, statement, or opinion if one has been completed.**

Guidance

Background for Disclosure XXX-2

Having robust governance, control, and risk management systems in place for taxes 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 on this information reassures stakeholders that the practices of the organization reflect the statements it has made in its tax strategy (or equivalent document).

Guidance for clause Disclosure XXX-2

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 clause Disclosure XXX-2-a

Where the <u>highest governance body</u> is accountable for compliance with the tax governance and control framework, including the tax strategy, the reporting organization can specify the degree to which the governance body has oversight, as well as any accountability for compliance delegated to executive-level positions within the organization.

Guidance for Disclosure XXX-2-b

When reporting on how the stated approach to taxes 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 can include:

- training and guidance provided to relevant employees regarding the linkages between tax strategy, business strategy, and corporate reputation;

- succession-planning for roles within the organization that are responsible for taxes and payments to governments;
- participation in tax transparency initiatives or representative associations that seek to develop best practice around tax disclosure and/or educate a broad group of 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-c

Tax risks are potential, perceived, and/or near-term risks associated with the organization's tax practices that might lead to a negative effect on the tax goals or commercial goals of the organization, or that might lead to unexpected or unacceptable financial or reputational damage. These can be compliance or other tax risks, examples include risks such as not being compliant with the relevant laws, uncertain tax positions, changes in legislation or a perception of aggressive tax planning.

When reporting on the approach to tax risks, the organization can describe its risk appetite and tolerance and include specific examples of tax practices the organization has avoided because they are considered too high risk or misaligned with the organization's tax strategy (or equivalent document). Risk appetite and tolerance indicate the degree of risk that the organization is willing to accept in the valuation of 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 there is consideration of tax risk management in the organization's financial and/or non-financial risk management process.

Guidance for Disclosure XXX-2-d

When reporting on how compliance with the tax governance and control framework is appraised, the organization can explain how the tax governance and control framework is monitored, tested, and maintained. An example could be that an internal auditor within the organization is accountable for undertaking annual reviews of the compliance of the tax department with the tax governance and control framework.

The reporting 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-e

An organization can provide mechanisms for stakeholders to report concerns about the organization not adhering to ethical and lawful tax-related behavior and any activities that compromise the organization's integrity in relation to taxes. An example of such a mechanism is whistleblowing.

Guidance for Disclosure XXX-2-e

Disclosure XXX-2-e is related to *Disclosure 102-56* of *GRI 102: General Disclosures*. Where the assurance process for disclosures relating to taxes and payments to governments has been completed as part of a broader assurance process, the organization can reference the information disclosed under *Disclosure 102-56*.

Disclosure XXX-3 Stakeholder engagement and management of concerns

Reporting requirements

Disclosure XXX-3

A description of the approach to stakeholder engagement and management of stakeholder concerns in relation to taxes and payments to governments, including:

a. the approach to engagement with tax authorities;

b. whether taxes and payments to governments are a focus of the organization's public policy advocacy;

c. any processes for collecting and considering the views and concerns of external stakeholders.

Guidance

Background for Disclosure XXX-3

The tax affairs of organizations are of interest to various stakeholders. The approach the reporting organization takes to engaging with these stakeholders has the potential to influence the level of trust they have in the organization's approach to taxes and payments to governments. This might include how the organization engages with tax authorities and participates in the development of tax systems, legislation and administration.

Effective engagement can also enable the organization to understand the evolving expectations stakeholders have in relation to taxes and payments to governments, giving it insight into potential future regulatory changes and enabling the organization to better manage its financial and reputational risks.

Guidance for Disclosure XXX-3-a

Types of 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 risk, and seeking advance pricing agreements.

Guidance for Disclosure XXX-3-b

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

- the lobbying activities of the organization in relation to taxes and payments to governments;
- significant issues relating to taxes and payments to governments that are the focus of the organization's public policy advocacy activities;
- the organization's stance on these issues, and any differences between its advocacy positions and public positions stated by the organization;
- whether the organization is a member of any representative association or committee that participates in public policy advocacy.

Disclosure XXX-3-b is related to the reporting requirements set out in *GRI 415: Public Policy*. If the organization has identified Public Policy as a material topic, then the information disclosed under *Disclosure XXX-3-b* should align with any information disclosed using *GRI 415*.

Guidance for Disclosure XXX-3-c

When reporting on the processes by which the organization collect and consider the views and concerns of external stakeholders, the organization can describe the ways in which stakeholders are able to participate in this engagement.

Topic-specific disclosures

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, or in the financial information filed on public record, are resident for tax purposes.** **b. Entities included in the organization's audited financial statements, or in the financial information filed on public record, that are deemed by the organization not to be resident in any tax jurisdiction.** **c. For each tax jurisdiction in which the organization has resident entities:** **i. The number of entities;** **ii. The names of the principal entities;** **iii. The primary activities of the entities.**

1.3. When compiling the information specified in Disclosure XXX-4, the organization shall report the entity (and related information) in the jurisdiction the entity is tax resident in.

Guidance

Guidance for Disclosure XXX-4-c-iii

When reporting on the primary activities of the entities in a tax jurisdiction, the reporting organization can provide a generic description of the main activities of the organization in that jurisdiction, such as sales, marketing, manufacturing, or distribution. It does not need to list the activity/ies of each entity separately. The description can be generic to the extent that a third-party is able to accurately identify the business activity.

If the organization is dormant in a tax jurisdiction, this can be can specified.

Disclosure XXX-5 Country-by-country reporting

Reporting requirements

Disclosure XXX-5

The reporting organization shall report the following information for the reporting period on a country-by-country basis:

a. Revenues by:

   i. third-parties sales;

   ii. intra-group transactions between that tax jurisdiction and other tax jurisdictions.

b. Profit/loss before taxes.

c. Corporate tax paid on a cash basis.

d. Corporate tax accrued on profit/loss.

e. Taxes withheld on behalf of employees.

f. Taxes collected from customers on behalf of a tax authority.

g. Industry-related and other taxes or payments to governments.

h. Number of employees and total employee remuneration.

i. Tangible assets other than cash and cash equivalents.

j. Corporate tax reconciliation.

k. Significant tax incentives.

1.4. When compiling the information specified in Disclosure XXX-5, the reporting organization shall include information for all tax jurisdictions listed in Disclosure XXX-4.

1.5. When compiling the information specified in Disclosure XXX-5-d, the reporting organization shall include the corporate tax accrued in the current year and exclude deferred corporate tax or provisions for uncertain tax positions.

1.6. When compiling the information specified in Disclosure XXX-5-j, the reporting organization shall list the reconciling items and explain the difference between the tax due at the statutory tax rate and the tax accrued per tax jurisdiction during the reporting period excluding deferred tax.

Reporting recommendations

1.7. When compiling the information specified in Disclosure XXX-5, the reporting organization should report:

1.7.1. any significant uncertain tax positions;

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

Guidance

Background for Disclosure XXX-5

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

Organizations pay a range of taxes and other payments to governments, of which corporate tax is only one. Corporate tax paid on a cash basis, corporate tax accrued on profits/losses, taxes withheld on behalf of employees, taxes collected from customers on behalf of a tax authority, and industry-related taxes or payments to governments constitute a significant proportion of taxes paid by the organization.

Revenues, number of employees, employee remuneration, and tangible assets other than cash and cash equivalents are indicators of the organization's scale of activity within a tax jurisdiction. These indicators are not absolute measures when considered on their own, but when read in conjunction with the other required indicators, they can inform assessments about the level of taxes being paid in a jurisdiction.

Guidance for Disclosure XXX-5

When compiling the information specified in Disclosure XXX-5, unless otherwise stated, the reporting organization is expected to use the data stated in its audited financial statements, or financial information filed on public record, or to reconcile the reported information with the data stated in these. Where a published number does not reconcile with the data in the audited financial statements or financial information filed on public record, the organization is expected to provide an explanation for this difference.

Except where otherwise stated, country-by-country data is to be reported on a tax jurisdiction basis and not at the level of individual entities.

Guidance for Disclosure XXX-5-a

An organization's revenues often comprise revenues generated from transactions with third or unrelated parties and revenues generated from transactions with other entities within the organization or related parties.

Transactions between entities or related parties in different tax jurisdictions can influence the tax base of the jurisdictions involved in the cross-jurisdictional transactions.

Disclosure XXX-5-a does not require the organization to report transactions between entities or related parties within the same tax jurisdiction. These transactions do not affect the tax base of the organization within that jurisdiction.

If an organization reports the total revenue in a tax jurisdiction, it is expected to only include third-party sales arising in the tax jurisdiction and intra-group transactions between that tax jurisdiction and other tax jurisdictions, and to exclude intra-group trading within the same tax jurisdiction.

This is considered a more appropriate indicator of activity than aggregated revenues. Aggregated revenues face the risk of local revenues being double-counted, which might create a misleading impression among investors and other stakeholders about the organization's scale of activities in a jurisdiction.

When reporting revenues using this disclosure, the organization is required to use the data stated in its audited financial statements or in the financial information filed on public record, or reconcile the reported information with the data stated in these.

Guidance for Disclosure XXX-5-b

Profit/loss before taxes refers to the sum of the profit/loss before taxes for all entities resident in the relevant jurisdiction for tax purposes.

When reporting profit/loss before taxes using this disclosure, the organization is required to use the data stated in its audited financial statements or in the financial information filed on public record or reconcile the reported information with the data stated in these.

Guidance for Disclosure XXX-5-c

Corporate tax paid on a cash basis refers to the total actual amount of corporate tax paid during the reporting period by all entities resident in the relevant tax 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 jurisdictions).

If withholding taxes are suffered in other tax jurisdictions, the amount of withholding tax paid (by the other jurisdiction) shall be disclosed separately.

Guidance for Disclosure XXX-5-d

When reporting corporate tax accrued on profits/losses using this disclosure, the organization is required to use the current and deferred tax as specified in its audited financial statements or in the financial information filed on public record.

Guidance for Disclosure XXX-5-e

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

Guidance for Disclosure XXX-5-f

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

Guidance for Disclosure XXX-5-g

The reporting organization is required to identify and explain any significant taxes or payments to governments relating to business activities, including:

- 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 that are considered to be harmful to the environment (e.g., vehicle excise duties).

Guidance for Disclosure XXX-5-h

Employee numbers can be reported using Full-time Equivalent (FTE) calculations.

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

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

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

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

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

Guidance for Disclosure XXX-5-i

Tangible assets refer to the sum of the net book values of the tangible assets of all the entities resident in a jurisdiction for tax purposes. In the context of this disclosure, tangible assets do not include cash or cash equivalents, intangibles, or financial assets. The basis of valuation for tangible assets is expected to be consistent with the organization's audited financial statements or with the financial information filed on public record.

Guidance for Disclosure XXX-5-j

Corporate tax reconciliation is an explanation of the relationship between the corporate tax paid and the profit/loss before tax, reconciling the difference between the tax due at the statutory tax rate and that paid during the reporting period.

When reporting corporate tax reconciliation using this disclosure, the organization is expected to specify the reconciling items that explain the difference between the tax due at the statutory tax rate and the tax accrued per tax jurisdiction during the reporting period excluding deferred tax.

Both the numerical value and explanation is to be provided. The list of reconciling items, along with the accompanying explanation, has to be sufficient to enable a third-party to form a reasonably informed assessment.

The listed reconciling items are required to explain at least 95% of the reconciliation. Positive and negative items cannot be offset in the reconciliation.

Guidance for Disclosure XXX-5-k

When reporting significant tax incentives using this disclosure, the organization can also report the expiration date, investment requirements, and likely long-term sustainability of each incentive.

Guidance for clause 1.7.1

When reporting on significant uncertain tax positions using this disclosure, the organization can report the value and description of uncertain tax positions that are not agreed with the relevant tax authorities at the year-end date (excluding those of the current year), including the nature of the disagreement and the reasons for any change in position that occurred during the year, where relevant.

Annex I - Definitions

entity

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

principal entities

the entities that undertake 90% of the turnover of the organization arising within the tax jurisdiction, whether made to domestic or international customers and whether intragroup or third-party

tax jurisdiction

a State or non-State jurisdiction that has fiscal autonomy