



Item 02 – Exposure draft Standard for tax and payments to governments

For GSSB approval

Date	13 November 2018
Meeting	29 November 2018
Project	Disclosures on tax and payments to government
Description	This paper sets out the exposure draft of <i>GRI XXX: Tax and Payments to Governments</i> , for the approval of the GSSB.
Feedback from the GSSB	<p>The GSSB is asked to consider this draft of <i>GRI XXX: Tax and Payments to Governments</i>, for approval for public exposure.</p> <p>The GSSB is asked to raise any questions, concerns, or feedback on the draft Standard by email to the Standards Division by 26 November 2018. This will allow the Standards Division time to analyze and respond to comments ahead of the 29 November virtual meeting.</p> <p>GSSB members are also invited to submit questions to be asked during the public comment.</p>

This document has been prepared by the GRI Standards Division. It is provided as a convenience to observers at meetings of the Global Sustainability Standards Board (GSSB), to assist them in following the Board’s discussion. It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard-setting body of GRI. For more information visit www.globalreporting.org.

25 Background

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

30 This paper sets out the exposure draft of a *Tax and Payments to Governments* Standard (hereafter 'the
31 draft Standard') as developed by the TC, for GSSB approval. The draft Standard incorporates feedback
32 from the GSSB during its 25 September 2018 meeting and additional feedback from stakeholders and
33 the TC.

34 The earlier draft, which was presented to the GSSB during its 25 September meeting, underwent a
35 stakeholder peer review during July and August 2018. 30 organizations participated directly in this
36 peer review, with approximately a third of these representing the business constituency.

37 Stakeholders engaged during the field test agreed that a standard that seeks to improve the level of
38 transparency in relation to tax and payments to governments is a worthwhile endeavor, and in several
39 cases reiterated that it is a priority topic for increased reporting. Many expressed support for the
40 intention, content, and relevance of the draft Standard, and several confirmed that the draft
41 disclosures are in line with what they would like companies to disclose.

42 During these engagements with both the GSSB and other stakeholders, concern was expressed about
43 the topic-specific disclosures, specifically country-by-country reporting. In particular, concerns were
44 raised about:

- 45 - the quantity of information being asked for and associated issues of feasibility, cost, and
46 reasonableness;
- 47 - the value of this type of information for stakeholders; and
- 48 - the draft Standard not being aligned with other transparency or reporting initiatives for tax
49 and payments to governments.

50 The concerns of GSSB members and other stakeholders were presented to the TC for consideration.

51 The TC continue to be aligned in favor of country-by-country reporting as an appropriate format for
52 disclosures on tax and payments to governments. Country-by-country reporting provides a
53 geographical distribution of an organization's economic activities, profits, and tax payments. It provides
54 a level of detail that enables assessment of the contribution an organization makes through tax and
55 payments to governments in a jurisdiction proportionate to the organization's scale of activity in that
56 jurisdiction. TC members also confirmed that country-by-country reporting provides a basis for
57 assessing an organization's approach to tax planning and the associated business risks and sustainability
58 impacts.

59 The TC agreed that the disclosures need to balance value and transparency with feasibility, cost, and
60 reasonableness, and that the draft Standard should focus on the information that enables effective
61 public scrutiny. Given this, the TC reduced the number of reporting requirements in the topic-specific
62 disclosures, and introduced provisions to acknowledge that reporting organizations may not have all
63 the data points available for all jurisdictions, and to enable reporting organizations to exclude

64 information where they are a minority shareholding or the non-operating joint venture partner in an
65 entity.

66 The key changes made to the draft Standard are further summarized below.

67 The level of impact on reporting organizations of the differences between the disclosures proposed in
68 the draft Standard and other reporting standards requires further examination. It appears that this
69 would only affect organizations in a limited number of industries and jurisdictions. Given this, it is
70 proposed that the differences between what organizations are currently reporting and the draft
71 Standard be further explored by including a specific question as part of the public exposure. For
72 example, the following:

73 “If you represent an organization that is currently reporting publicly on taxes and payments to
74 governments, how do the disclosures in *GRI [XXX]: Tax and Payments to Government* compare
75 to what you are currently reporting?”

76 The TC has reached consensus that the current draft of the *Tax and Payments to Governments* Standard
77 is ready for public exposure.

78 The exposure draft is expected to be released for a 90-day public comment period from 12
79 December 2018 to 15 March 2019, following GSSB approval.

80 *Key changes since 25 September 2018*

81 The following key changes have been made to the draft Standard, based on GSSB, stakeholder, and TC
82 feedback:

- 83 • The language of the draft Standard has been revised, including the deletion of the use of
84 the term ‘expected’ where possible to ensure alignment with the style guide.
- 85 • The instruction that an organization shall ‘compile information for these disclosures using
86 figures consistent with its audited financial statements or with the financial information
87 that the organization has filed on public record’ has been moved from the introductory
88 section to compilation requirement clause 1.4.2. This has been done to mitigate confusion
89 caused by the language ‘is expected’, and to ensure reporting organizations are clear
90 which data points the instruction applies to. See lines 616-620.
- 91 • A reference to Disclosure 102-17 in *GRI 102: General Disclosures 2016* has been added to
92 Guidance for Disclosure XXX-2-b to ensure the linkages between these disclosures are
93 clear. See lines 513-517.
- 94 • Provisions have been added at the beginning of the topic-specific disclosures that
95 acknowledge that reporting organizations may not have all the data points available for all
96 jurisdictions, as well as to enable reporting organizations to exclude information where
97 they are a minority shareholding or the non-operating joint venture partner in an entity.
98 See lines 564-571.
- 99 • The requirement to report ‘entities included in the organization’s audited financial
100 statements, or in the financial information filed on public record, that are deemed by the
101 organization not to be resident in any tax jurisdiction’ has been removed as it was causing

- 102 confusion. Further clarity on how to report entities not deemed to be resident in any tax
103 jurisdiction has been provided under clause I.2. See lines 575-577.
- 104 • The previous requirement to report ‘the number of employees and total employee
105 remuneration’ for each tax jurisdiction in Disclosure XXX-5 has been split into two parts.
106 ‘The number of employees’ is now a reporting requirement in Disclosure XXX-4, and
107 ‘total employee remuneration’ has been made reporting recommendation under clause
108 I.3. See Disclosure XXX-4 and lines 579-580, respectively.
 - 109 • The requirements to report ‘taxes withheld and paid on behalf of employees’, ‘taxes
110 collected from customers on behalf of a tax authority’, and ‘industry-related and other
111 taxes or payments to governments’ are now reporting recommendations in response to
112 concerns regarding the number of reporting requirements and alignment with other
113 reporting Standards. See lines 624-626.
 - 114 • The requirement to report a ‘corporate tax reconciliation’ for each tax jurisdiction has
115 been amended to the requirement to report the ‘reasons for the difference between
116 corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to
117 profit/loss before tax’. This enables a qualitative description of the reasons rather than a
118 quantitative reconciliation. The corresponding guidance has also been amended to allow
119 the organization to collate smaller reconciling items into a generic category, in response
120 to concerns about the complexity and proportionate value of this data. See Disclosure
121 XXX-5 and lines 680-690.
 - 122 • References to the Sustainable Development Goals have been added in lines 308-313.
 - 123 • A number of other wording and structural edits have been made in order to reduce
124 duplication, increase consistency within the draft Standard and with other GRI Standards,
125 and enhance clarity.

126 *Feedback from the GSSB*

- The GSSB is asked to consider this draft of *GRI XXX: Tax and Payments to Governments*, for approval for public exposure.
- **The GSSB is asked to raise any questions, concerns, or feedback on the draft Standard by email to the Standards Division by 26 November 2018.** This will allow the Standards Division time to analyze and respond to comments ahead of the 29 November virtual meeting.
- GSSB members are invited to submit questions to be asked during the public comment.

127

130 **Exposure draft of *GRI XXX: Tax and***
131 ***Payments to Governments***

132 XX December 2018

133 *Comments to be received by [xx/xx/xxxx]*

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

In line with the [GSSB's Due Process Protocol](#), a multi-stakeholder Technical Committee was formed to develop new, specific disclosures related to tax and payment to governments, which will be considered for incorporation into the GRI Standards.

As a result of the project, a new topic-specific Standard on tax and payments to governments has been drafted by the Technical Committee

The explanatory memorandum on the following pages 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 [xx/xx/xxxx] via [TBC]. Comments should be submitted in writing, and only comments in English will be considered.

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, the country, and constituency group.

For more information, please visit the [GRI Standards website](#).

134

135

136

137

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 inclusion of a new topic-specific Standard – *GRI XXX: Tax and Payments to Governments*, and a summary of the Global Sustainability Standards Board (GSSB)’s involvement and views on the development of this draft.

Objectives for the ‘Disclosures on tax and payments to governments’ project

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

The aim of this work is to help promote greater transparency on a reporting organization’s approach to tax, including potential elements such as tax strategy, governance, and information on actual taxes paid or payments to governments.

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

A multi-stakeholder Technical Committee (TC) was formed to help contribute to the revision of *GRI 403*, as outlined in the GSSB’s [Due Process Protocol](#). For more information, consult the [project proposal](#) and [terms of reference](#).

Significant proposals

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

- **New management approach requirements** have been developed, covering specific tax components, such as 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 are designed to complement the existing generic management approach disclosures in *GRI 103: Management Approach*.
- **New topic-specific disclosures** have been developed, focusing on the country-by-country reporting of financial, economic, and tax-related data for each tax jurisdiction in which the organization operates. Reporting tax and payments to governments on a country-by-country basis ensures a level of detail that enables assessment of the contribution an organization makes through tax and payments in a jurisdiction proportionate to the organization’s scale of activity in that jurisdiction.

173 • One topic-specific disclosure provides essential contextual information for the other. For this
174 reason, the reporting organization is expected to **report on both topic-specific disclosures**
175 included in the draft Standard.

176 • Several new definitions of terms have also been proposed. See lines 531-538.

177 *GSSB's involvement and views on the development of this draft*
178 *Standard*

179 The GSSB appointed a member as the sponsor for this project and the development of new
180 disclosures related to tax and payment to governments The GSSB sponsor observed the TC process
181 and attended all TC meetings.

182 A rough draft of *GRI XXX: Tax and Payments to Governments* was discussed by the GSSB on 25
183 September 2018. The draft was later revised based on stakeholder input collected during a field test
184 consultation, and based on TC and GSSB feedback.

185 [The GSSB confirmed its support for *GRI 2XX: Tax and Payments to Governments* when it voted to
186 approve the draft for public exposure at its meeting on 29 November 2018.]

187 Meeting minutes and recording of the meetings can be accessed on the GSSB website [[here](#)].

188

189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205

GRI [XXX]: Tax and Payments to Governments [20XX]

Contents

Introduction 9

GRI XXX: Tax and Payments to Governments 12

1. Management approach disclosures 13

 Disclosure XXX-1 Approach to tax and payments to governments 13

 Disclosure XXX-2 Tax governance, control, and risk management 15

 Disclosure XXX-3 Stakeholder engagement and management of concerns related to tax and payments 18

2. Topic-specific disclosures 20

 Disclosure XXX-4 Entities and activities by tax jurisdiction 20

 Disclosure XXX-5 Country-by-country reporting 22

Glossary 26

References 28

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	<i>GRI XXX: Tax and Payments to Governments</i> 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 <u>underlined</u> .
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.

206

207 Introduction

208 A. Overview

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

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

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

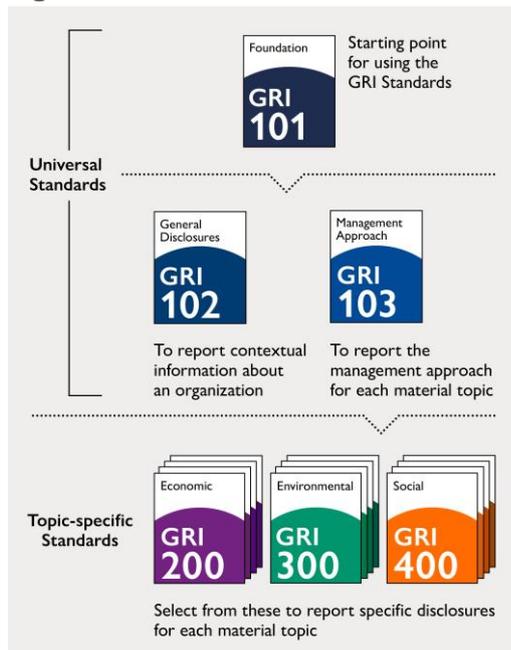
222 [GRI 101: Foundation](#)

223 [GRI 102: General Disclosures](#)

224 [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.

225 **Figure I** Overview of the set of GRI Standards



226
227 An organization then selects from the set of
228 topic-specific GRI Standards for reporting on
229 its **material topics**.

See the [Reporting Principles for defining report content in GRI 101: Foundation](#) for more information on how to identify material topics.

230

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

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

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

239 B. Using the GRI Standards and making 240 claims

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

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

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

258 • Selected GRI Standards, or parts of their
259 content, can also be used to report specific
260 information, without preparing a report in
261 accordance with the Standards. Any
262 published materials that use the GRI
263 Standards in this way are to include a 'GRI-
264 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.

265 Reasons for omission as set out in *GRI 101:
266 Foundation* are applicable to this Standard. See
267 [clause 3.2 in GRI 101](#) for requirements on
268 reasons for omission.

269 C. Requirements, recommendations and 270 guidance

271 The GRI Standards include:

272 **Requirements.** These are mandatory
273 instructions. In the text, requirements are
274 presented in **bold font** and indicated with
275 the word 'shall'. Requirements are to be read
276 in the context of recommendations and

277 guidance; however, the organization is not
278 required to comply with recommendations
279 or guidance in order to claim that a report
280 has been prepared in accordance with the
281 Standards.

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

286 **Guidance.** These sections include background
287 information, explanations and examples to help
288 organizations better understand the
289 requirements.

290 An organization is required to comply with all
291 applicable requirements in order to claim that
292 its report has been prepared in accordance
293 with the GRI Standards. See [GRI 101:
294 Foundation](#) for more information.

295 **D. Background context**

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

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

306 *GRI [XXX]* addresses the topic of tax and
307 payments to governments.

308 Tax and payments to governments are
309 important sources of government revenues,
310 which in turn are acknowledged by the United
311 Nations to play a vital role in advancing the
312 achievement of the Sustainable Development
313 Goals.

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

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

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

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

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

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

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

363 *Country-by-Country Reporting*

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

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

377 Country-by-country data can also signal to
378 stakeholders any potential reputational and
379 financial risks in an organization's transactions
380 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].

381

Discussion document - This document does not represent an official position of the GSSB

382 GRI XXX: Tax and Payments to 383 Governments

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

- 386 • Management approach disclosures
 - 387 ○ Disclosure XXX-1 Approach to tax and payments to governments
 - 388 ○ Disclosure XXX-2 Tax governance, control, and risk management
 - 389 ○ Disclosure XXX-3 Stakeholder engagement and management of concerns related to
390 tax and payments
- 391 • Topic-specific disclosures
 - 392 ○ Disclosure XXX- 4 Entities and activities by tax jurisdiction
 - 393 ○ Disclosure XXX- 5 Country-by-country reporting

Discussion document - This document does not represent an official position of the GSSB

394 *1. Management approach disclosures*

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

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

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

405 **Reporting requirements**

406 **I.1 The reporting organization shall report its management approach for tax**
407 **and payments to governments using [GRI 103: Management Approach](#).**

408 **Disclosure XXX-I Approach to tax and payments to governments**

409 **Reporting requirements**

Disclosure XXX-I

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.**

410

411 **Guidance**

412 *Background*

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

415 The tax strategy (or equivalent document) communicates how the organization balances tax
416 compliance with business concerns and ethical, societal, and sustainability-related expectations. It
417 is a key building block of an organization's approach to managing tax and sets out the
418 organization's tax principles, its attitude to tax planning, the degree of risk the organization is
419 willing to accept, and the organization's approach to engagement with tax authorities.

420 *Guidance for Disclosure XXX-I-a*

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

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

429 *Guidance for Disclosure XXX-I-a-i*

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

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

435 *Guidance for Disclosure XXX-I-a-iii*

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

440 *Guidance for Disclosure XXX-I-a-iv*

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

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

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

451 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 **governance body** 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 relating to tax and payments to governments, including, if applicable, a reference to the assurance report, statement, or opinion.**

453

Guidance

454

Background

455

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

Guidance for Disclosure XXX-2-a

461

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

Guidance for Disclosure XXX-2-a-i

465

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

470 *Guidance for Disclosure XXX-2-a-ii*

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

474 These initiatives can include:

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

483 *Guidance for Disclosure XXX-2-a-iii*

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

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

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

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

501 *Guidance for Disclosure XXX-2-a-iv*

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

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

509 *Guidance for Disclosure XXX-2-b*

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

513 Disclosure XXX-2-b is related to [Disclosure 102-17](#) in *GRI 102: General Disclosures*. If the
514 information reported under Disclosure 102-17 includes a reference to the mechanisms used for
515 reporting concerns about unethical or unlawful behavior and the organization's integrity in
516 relation to taxes, the organization can provide a reference to this information reported under
517 Disclosure 102-17.

518 *Guidance for Disclosure XXX-2-c*

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

Discussion document - This document does not represent an official +

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

525 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 in relation 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.

527

528 **Guidance**

529 *Background*

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

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

538 *Guidance for Disclosure XXX-3-a-i*

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

542 *Guidance for Disclosure XXX-3-a-ii*

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

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

551 Disclosure XXX-3-a-ii is related to the reporting requirements set out in [GRI 415: Public Policy](#). If
552 the organization has identified public policy as a material topic, then the information reported
553 under Disclosure XXX-3-a-ii can provide a reference to the relevant information reported
554 under *GRI 415*.

555 *Guidance for Disclosure XXX-3-a-iii*

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

559

Discussion document - This document does not represent an official position of the GSSB

560 **2. Topic-specific disclosures**

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

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

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

572 **Disclosure XXX-4 Entities and activities by tax jurisdiction**

573 **Reporting requirements**

Disclosure XXX-4

The reporting organization shall report the following information:

- a. **A list of 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. **For each tax jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:**
 - i. **The number of entities;**
 - ii. **The names of the principal entities;**
 - iii. **The primary activities of the entities;**
 - iv. **The number of employees.**

574

575 **1.2 When compiling the information specified in Disclosure XXX-4, the reporting**
576 **organization shall, in cases where an entity is not deemed to be resident in any**
577 **tax jurisdiction, present the entity-related information listed in i-iv separately.**

578 **Reporting recommendations**

579 **1.3 The reporting organization should report total employee remuneration for each tax**
580 **jurisdiction in which the organization has resident entities.**

581 **Guidance**

582 *Guidance for Disclosure XXX-4-b-iii*

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

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

589 *Guidance for Disclosure XXX-4-b-iv*

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

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

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

596 *Guidance for clause 1.2*

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

600 *Guidance for clause 1.3*

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

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

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

Discussion document

608 Disclosure XXX-5 Country-by-country reporting

609 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.

610

611 **1.4** When compiling the information specified in Disclosure XXX-5, the reporting
612 organization shall:

613 **1.4.1** include corporate tax accrued in the current year in the calculation of
614 corporate tax accrued on profit/loss, and exclude deferred corporate
615 tax or provisions for uncertain tax positions;

616 **1.4.2** in response to Disclosures XXX-5-a, XXX-5-b, and XXX-5-c, and in the
617 calculation specified in clause 1.4.1, use the data stated in its audited
618 financial statements, or in the financial information filed on public
619 record. Where the data do not reconcile, the organization shall provide
620 an explanation for the difference.

621 **Reporting recommendations**

622 **1.5** The reporting organization should report the following additional information for each tax
623 jurisdiction has resident entities, as listed in Disclosure XXX-4-a:

624 **1.5.1** Taxes withheld and paid on behalf of employees;

625 **1.5.2** Taxes collected from customers on behalf of a tax authority;

626 **1.5.3** Industry-related and other taxes or payments to governments;

627 **1.5.4** Significant uncertain tax positions;

628 I.5.5 Balance of intra-company debt held by entities in a tax jurisdiction and the average
629 interest rate paid on that debt.

630

631 **Guidance**

632 *Background*

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

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

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

646 *Guidance for Disclosure XXX-5*

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

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

653 *Guidance for Disclosure XXX-5-a*

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

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

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

666 *Guidance for Disclosure XXX-5-b*

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

669 *Guidance for Disclosure XXX-5-c*

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

673 *Guidance for Disclosure XXX-5-d*

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

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

680 *Guidance for Disclosure XXX-5-f*

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

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

688 In addition to providing a qualitative explanation, the organization can report a quantitative
689 corporate tax reconciliation. In this case, positive and negative items cannot be offset in the
690 reconciliation.

691 *Guidance for Disclosure XXX-5-g*

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

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

696 *Guidance for clause 1.4.2*

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

698 *Guidance for clause 1.5.1*

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

702 *Guidance for clause 1.5.2*

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

706 *Guidance for clause 1.5.3*

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

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

713 *Guidance for clause 1.5.4*

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

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

Discussion document - This document does not represent an official

721 Glossary

722 This Glossary includes definitions for terms used in this Standard, which apply when using this
723 Standard. These definitions may contain terms that are further defined in the complete [GRI Standards](#)
724 [Glossary](#).

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

727 **entity**

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

730 **principal entities**

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

733 **tax jurisdiction**

734 State or non-State jurisdiction that has fiscal autonomy

735 *The following definitions have been extracted from the existing GRI Standards Glossary for reference. They*
736 *are not for review.*

737 **employee**

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

740 **governance body**

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

744 **highest governance body**

745 formalized group of persons charged with ultimate authority in an organization

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

748 **remuneration**

749 basic salary plus additional amounts paid to a worker

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

754 **worker**

755 person that performs work

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

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

759
760

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.

Discussion document - This document does not represent an official position of the GSSB

761 References

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

764 **Authoritative intergovernmental instruments:**

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

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

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

771

772

Discussion document - This document does not represent an official position of the GSSB