

C25

Tax Transparency

Trends in the tax reporting of C25 companies, 2024



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Introduction

Executive summary

Over the past five years, we have witnessed a large increase in tax disclosures among the Danish C25 companies. Our analysis shows that the C25 companies have increased their transparency across all nine parameters of tax transparency, each registering an improvement of at least 50%.

The rising trend in transparency is a clear evidence of the commitment of Danish companies to foster greater transparency in their tax affairs, a movement that aligns with the growing global call for corporate transparency and responsibility.

The development is the result of a wave of recommendations and legislative actions aimed at promoting tax transparency. Danish companies are navigating this changing tide, balancing their ambition for increased transparency with the complexities introduced by new international standards and regulations. It is not an easy task, however, more and more companies are putting energy and effort into developing and advancing voluntary tax reporting.

The landscape of tax transparency has been reshaped by several key developments. Internationally, the recommendations made by the Global Reporting Initiative (GRI), World Economic Forum, along with other international organisations like the UN-PRI and the B-Team etc., have promoted transparency in

tax matters and continue to set standards. On the European front, the implementation of the EU Directive on Public Country-by-Country Reporting (CbCR) will become mandatory for financial years beginning on or after 22 June 2024, which is also pushing the tax transparency agenda forward.

These legislative changes, coupled with the broader sustainability agenda, are pivotal forces driving companies to enhance their tax transparency reporting. The ongoing debate around the interplay of sustainability and the tax contribution of corporations to public funds is also likely to intensify as the increased requirements for sustainability reporting come into force.

Join us in this fifth edition as we explore the current status of the C25 and the five-year development of voluntary tax transparency reporting, as well as how taxes can contribute to advancing sustainability reporting.

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How Danish voluntary disclosures have developed over 5 years

92% of all C25 companies in 2024 fulfil at least five out of nine parameters in the analysis.



The top number reflects the 2023 measures, whereas the number inside the bar reflects the change from 2019-2023.

For a description of the parameters, please refer to the appendix.



Insights and factors affecting the development

For the past five years, we have seen a significant increase in tax transparency among the leading Danish corporations featured in the C25 index. Across all parameters an increase of at least 50% is recognised.

The landscape has evolved considerably since 2019, with a variety of legislative and international organisations influencing and encouraging multinationals to increase the transparency of their tax affairs.

The assessment, which examines a variety of parameters, has noted a substantial increase in every aspect, as demonstrated in the figure provided on the previous page.

In the realm of tax governance, there has been a remarkable growth in companies having a tax policy approved by the boards and the majority of the companies have implemented systems to manage tax risks.

Regarding the companies' approach to tax, there has been a widespread disclosure of practices concerning transfer pricing and tax havens where all C25 companies this year provide disclosures in the areas. Additionally, a significant increase has been observed in companies articulating their perspectives on tax incentives. This information is primarily

disclosed in tax policies, however, an increasing number also include information on these parameters in the annual report.

The analysis of tax numbers and performance has also demonstrated a notable upward trend, suggesting room for even more enhancements in the future. More companies are now adhering to the CbC Reporting guidance¹ and offering more transparent cash tax reconciliations. Further, an increased number of companies are revealing their total tax contributions and providing narrative descriptions to provide insights into their Effective Tax Rate (ETR).

Factors affecting the tax transparency development

Based on our analysis of the five years, we see that especially in some years the tax transparency numbers have seen a very large increase compared to the previous year. We have seen the largest increases in the years from 2019-2021 which can have various reasons.

In 2019, the GRI – 207 Tax standards were published which were pivotal for tax transparency as they support sustainable development by aligning with the UN's Sustainable Develop-

11 companies disclose cash tax payments for the year, of these five companies also provide CbCR and five companies provide TTC disclosures, however, only two companies disclose on both cash tax payments, CbCR and TTC.

¹ EU public CbC Reporting Directive or GRI 207 Tax.





ment Goals and contribute to the economies in which organisations operate. GRI, which is an independent, international organisation that helps businesses and other organisations take responsibility for their impact, enhanced public trust through a framework for clear tax reporting marking a significant step as the first global standard for Public Country-by-Country (CbC) tax disclosure.

Following the introduction of the GRI 207 standards, the Danish recommendations for Corporate Governance issued in 2020 further reinforced the importance of transparency in corporate tax practices. The guidance was to a large extent aligned with the GRI standards, emphasising the need for companies to integrate stakeholder requests for further transparency in companies' tax affairs. This alignment highlighted the general global movement towards more accountable and transparent corporate governance, where tax strategy and tax contributions are openly communicated.

In Denmark, a few companies have been at the forefront of the sustainability agenda, which has had a significant influence on their approach to tax transparency. These companies have not only embraced the GRI 207 standards but have also been instrumental in shaping the public and corporate discourse on responsible tax behaviour and disclosures. This strategic deci-

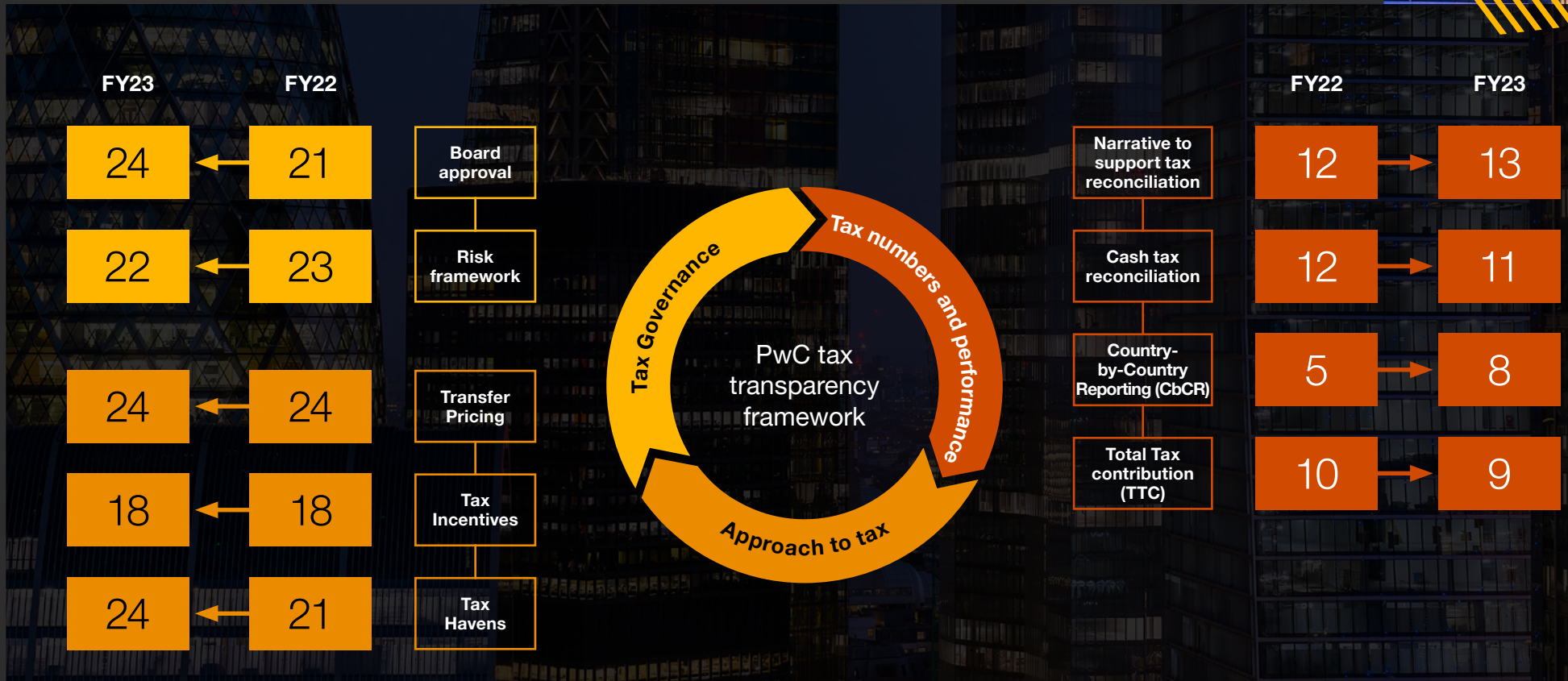
sion to be at the forefront in terms of tax disclosures has set a high bar for disclosures on tax governance and performance, with transparent communication becoming a decisive factor in maintaining and enhancing their strategic positioning. As a result, there has been a notable shift towards more transparent tax practices among the C25 companies, reflecting and continuously advancing voluntary tax disclosure.

In addition to that, the forthcoming regulations on Public CbCR are positioned to further enhance tax transparency among companies. These new rules will require detailed disclosures, providing greater clarity on the tax activities of multinational entities and reinforcing the trend towards more transparent tax practices. This development is expected to contribute significantly to the ongoing progress in tax transparency.

More companies have over the period prepared for the Public CbCR requirement by publishing selected data points from the upcoming requirement.

Of the eight companies disclosing full CbCR, four also provide TTC disclosures.

Trends in transparency for 2022/23 year-ends



For a description of the parameters refer to appendix.

Benchmarking against the C25 2023 transparency?

If you wish to explore how your company is providing voluntary tax disclosures compared to the C25 index or if you would like to have a conversation about the topics raised in this publication, please reach out to one of us and we would be happy to talk.



How tax disclosures can bring added value to advance sustainability reporting

Tax and CSRD

The Corporate Sustainability Reporting Directive (CSRD) is a game-changer for companies in the EU, yet tax functions may struggle to see how tax disclosures fit into the picture. The CSRD will require companies to disclose more and better information to providers of financial capital and other stakeholders on their environmental, social and governance (ESG) performance, and to align their reporting with the EU Taxonomy of sustainable activities.

While tax disclosures are not directly included in the CSRD, they are by no means irrelevant to sustainability reporting. “The CSRD is a framework to report on the impacts, risks and opportunities of topics that are material for the business from a sustainability perspective. That is to say, how the company will be successful over time and contribute to a more sustainable development in society. And here, management may realise that corporate taxes, as a policy instrument for governments, are a critical component of funding for the future we want and therefore implicitly related to the transpar-

ency requirements of the CSRD,” says Susanne Stormer, ESG & Sustainability leader at PwC Denmark.

“While sustainability teams have been busy preparing for the new reporting requirements, the role of the tax function does not seem to have been clearly defined in the context of sustainability reporting,” observes Susanna Bjerrum Poulsen, Tax Partner and responsible for Sustainable Taxes at PwC Denmark. “We have seen an uptake in disclosures of tax payments over the past years, with a narrative that explains how taxes are not only a cost factor but also part of the broader strategic communication of the contributions companies make to society. And yet, the role of corporate tax disclosures in respect of CSRD may seem unclear. This is a missed opportunity,” Susanna continues.

As an experienced sustainability specialist, Susanne Stormer has a clear advice for tax functions: “To add value to the sustainability agenda, tax functions need to understand the broader aspects of





the CSRD requirements, the EU Taxonomy and the potential impact on their company's tax disclosures – as well as their tax policy and the risks and opportunities associated with it.”

The two specialists are seeing a growing demand for their advice on the CSRD, reporting and the role of tax functions in achieving sustainability goals. Here they share some of the key questions and challenges they encounter in their work with clients.

Why should tax functions get involved?

“The CSRD is technically a transparency directive with a reporting obligation, but in reality it is a catalyst for transformation. Companies may have to rethink their business models, strategies and operations to align with the EU Taxonomy and the policy objectives of a just transition to a low-carbon economy. This automatically has an impact on the companies' tax positions,” Susanne Stormer continues.

Susanna adds, “With the CSRD, it is also likely that we will see an increase in expectations and even scrutiny from stakeholders, such as investors, customers, regulators, civil society organisations and the wider public, on the tax behaviour of companies. Tax functions will have to ensure that their tax policies, practices and disclosures are consistent with their companies' sustainability commitments and values, and that they can demonstrate their contribution to the sustainable development of society.”

“Although the CSRD and the supporting mandatory standards for reporting, European Sustainability Reporting Standards (ESRS), not explicitly mention taxes in the CSRD, the EU Taxonomy does. The EU Taxonomy provides a 'library' that helps companies identify and classify sustainable activities in a transparent way,” Susanne further

explains. “Companies must report on activities that fall within the scope of the taxonomy and describe how they are making a contribution to environmental goals while not doing any significant harm and ensuring compliance with minimum safeguards and standards for responsible business conduct, including respect of human and labour rights. This is where taxation and the tax behaviour of the company may play a role.”

In the EU Taxonomy taxation is one of the four key elements of minimum safeguards. Taxation is defined based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. This implies that companies must be able to show that they operate based on both the letter and the spirit of the law. In addition, companies must demonstrate that tax risk management is part of the broader risk management system of the company.

What are the main challenges and opportunities for tax functions?

“One of the main challenges is to integrate tax into the sustainability reporting process,” Susanna explains. “In doing so, tax functions will need to align with the sustainability teams to ensure that the tax disclosures are relevant, reliable and add value to the sustainability reporting. Tax functions will have to collaborate closely with other functions, such as finance, sustainability and IT, and may very well also have to adopt common standards and frameworks for data collection, analysis and, if relevant, assurance.”

Another challenge Susanna points out is that “tax functions will continuously have to monitor and respond to the ever-changing tax landscape, as governments around the globe introduce new taxes or reform existing ones to support the green transition and incentivise sustainable behaviour.”





Susanne adds, “On the other hand, there are also opportunities for tax functions to create value and support the sustainability reporting of their companies. For example, by identifying and accessing tax incentives and subsidies for green investments, innovation and employment or by optimising the tax transparency of their supply chains and financing structures. This could be relevant for the companies’ integrated reporting.”

“Tax functions can play a key role in developing and implementing tax governance and control frameworks that ensure compliance, mitigate risks and enhance trust and transparency. At PwC, we have considerable experience and expertise in this area and we can help our clients to design and execute their tax governance and transparency strategies,” Susanna continues.

Can you give an example of how the CSRD and taxation interlink?

“A good example is transfer pricing. The CSRD states that companies must be transparent in terms of strategy, policy, goals and governance for all material topics. In terms of transfer pricing, these elements should be recognisable as they are an essential part of any value chain analysis, which is generally the basis for profit allocation. On this basis, there is a connection between the overall strategy and goals of the company, its transfer pricing practices and the resulting arm’s length allocation of taxable income. This is where transfer pricing becomes strategically relevant for sustainability reporting,” Susanna explains.

“With public country-by-country reporting of tax payments soon to be mandatory for large companies, the information to be disclosed is closely linked to the companies’ transfer pricing models. Companies would have to consider how to address this reporting, so I would see a potential in linking this reporting to the overall sustainability reporting.”

How can tax functions prepare for the CSRD?

“The first step is to familiarise themselves with the CSRD directive, the EU Taxonomy and the supporting reporting standards and to assess the implications and impact for their tax function and their company. The next step is to engage and communicate with other relevant functions to position themselves as a crucial business partner, taking a proactive role on the sustainability agenda. They should also participate and contribute to the sustainability reporting process and ensure that the tax disclosures are accurate, consistent and aligned with the ESG performance and objectives of the company,” Susanne suggests.

Susanna adds, “In doing so, tax functions could benchmark their current tax policies, practices and disclosures against the best practices and expectations of stakeholders and identify any gaps or areas for improvement.”

Susanne sums it all up and recommends, “the final step is to develop and implement a tax strategy and action plan that support the sustainability goals of the company and that create value and opportunities for the company and its stakeholders.”

The advice is clear: tax functions should embrace the CSRD as an opportunity to transform and to demonstrate their value and impact. “The CSRD is a once-in-a-generation chance for tax functions to become part of the strategy, of the policy, of the progress towards a more sustainable business that will define the future of the company,” they both agree.

Selected sustainability standard setters

Below we have outlined the main international standard setters and their key points in respect of tax and sustainability.

GRI

GRI's Tax Standard was developed in response to growing stakeholder demands, especially from investors, for more and meaningful tax information to be provided by companies. GRI 207 emphasises that **achieving the Sustainable Development Goals (SDGs) is not possible without including tax as a sustainability topic**, with an appropriate standard to report on.

According to GRI, **tax is a material topic** if you look at the impact taxes have on the economy, the environment and society.

CSRD/EFRAG

CSRD aims to improve the consistency, comparability and quality of corporate sustainability in the EU. In the **EFRAG-GRI joint statement** of interoperability, tax is explicitly referred to as an example of a material topic that is not covered by the ESRS. **Where tax is identified as a material topic for the purposes of CSRD, disclosures should be made in accordance with GRI 207.**

Further, **ESRS S3** references "aggressive strategies to minimise taxation" as a potential impact on affected communities.

EU Taxonomy

The **EU Taxonomy for sustainable activities** is a classification system that helps companies and investors identify "environmentally sustainable" economic activities to make sustainable investment decisions. To be Taxonomy aligned, companies must comply with **Minimum Safeguards**, one of which is **tax**.

Specifically, companies are required to treat **tax governance** and compliance as important elements of oversight and ensure that adequate tax risk management strategies are in place.

World Economic Forum

WEF has defined common metrics for **sustainable value creation** to improve the ways that companies measure and demonstrate their contributions towards creating more prosperous, fulfilled societies and a more sustainable relationship with our planet. It also recognises that companies that hold themselves accountable to their stakeholders and increase transparency will be more viable – and valuable – in the long term. **Tax** is a **core metric** for **disclosure** under the prosperity pillar of the framework.

S&P Global

S&P Global introduced a **Tax Strategy criterion** to the **Corporate Sustainability Assessment** in 2014 as both the financial-material aspects and the sustainability implications of tax policy were becoming increasingly clear.

According to S&P, **legal actions** taken against and **financial repercussions** stemming from companies' tax practices **demonstrate** the importance of evaluating tax issues and underscore the financial materiality of corporate **tax strategies** from a **sustainability perspective**.



Country-by-Country Reporting: From Single Purpose to Core Multipurpose Data Set

In our analysis, we have registered that an increasing number of companies have voluntarily disclosed their entire dataset or selected parts of the Country-by-Country Report (CbCR). This trend underscores a broader move towards tax transparency. The reason for this trend seems to be primarily driven by the upcoming mandatory public disclosure. However, with the introduction of Pillar II, the global minimum taxation, and its transitional safe harbour rules, the CbC data will once again play a core role.

Upcoming mandatory disclosures increase the focus on CbC Reporting

It is well-known that the EU Directive on public CbCR has been implemented and will come into force with effect for financial years commencing on or after 22 June 2024. The data points that need to be disclosed publicly are largely similar to those submitted to tax authorities, albeit slightly fewer. However, companies may opt to disclose the same comprehensive dataset voluntarily.

Based on the current voluntary disclosures by the C25, we have observed diversity in the manner in which the CbC data is disclosed. Some opt to include it in their financial statements, either in full or in part, while others create a separate report or integrate it into their sustainability reporting. Additionally, there is variation in the extent of the explanatory narrative that accompanies the data, which can range from minimal to extensive, including a detailed description of the tax operating model of the companies, with only a few providing detailed information on selected countries.

Companies voluntarily disclosing the CbC data generally report in the suggested format of the EU Directive or the GRI 207. The guidance of these reporting formats is somewhat similar; however, the guidance of these reporting formats is somewhat similar, however,

the companies reporting of CbC data may for some components of the data set need to be adjusted to align with the IFRS accounting standards, as there are differences in the basis of preparation of the reporting. The internal consistency in reporting companies generally provide descriptions of the differences.

The importance of data quality and additional relevance of the CbC data set

With the public disclosures of the CbC data, an advanced focus on the data quality and the consistency with the wider financial and sustainability data is undeniable. Once published, the data set will undergo increased scrutiny by a wider range of stakeholders because the data set is no longer a compliance requirement in the form of informational reporting to a single recipient, the tax authorities. Instead, when the CbC data set is published and forms part of the wider reporting of the company's performance, the data set will be subject to advanced review and, if the data set forms part of the financial statements, the data set will also be subject to audit. This increases the focus on controlling the CbC data by the companies.

The importance of data quality extends beyond the public disclosure of the CbC data set. With the introduction of Pillar II, CbC data comes into play once again. With the transitional safe harbour assessment, companies' compliance obligations and potential top-up tax payments may be reduced if one of the three safe harbour tests are met. However, the potential significant benefits of the safe harbours are based on a prerequisite that the CbC data set be "qualified." Essentially, this means that the CbC data set must be prepared based on Qualified Financial Statements. Generally speaking, qualified financial statements are those prepared in accordance with recognised accounting standards, such as the International Financial Reporting Standards (IFRS).



The third angle on CbC data set and beyond

With this third perspective on the CbC data set, there is an even greater reason – if not already considered – to ensure that the data set is comprehensive or “qualifies.” This ensures internal coherence and consistency in the data, which is essential for the integrity of the reporting and the trust it builds among stakeholders.

In conclusion, as the mandatory public reporting of CbC moves closer and with the Pillar II transitional safe harbour assessments based on the CbC data set, the companies’ focus on the CbC data should be even clearer. With the multipurpose nature of the CbC data, the work with the CbC data set shifts from being a compliance exercise to a strategic reporting tool and the basis for tax compliance and potential tax payments under Pillar II.

Country-by-Country disclosure requirements

Opposite are the main differences between CbCR disclosures in accordance with the GRI 207-4, OECD, EU CbCR and the Australian proposal. Besides the listed data points, a description of the activity in each jurisdiction is also required.

A comparison of CbCR data requirements	GRI 207-4	OECD	EU pCbCR	Australian Proposal*
Total revenue	✗	✓	✓	✗
Revenue from third parties	✓	✓	✗	✓
Revenue from related parties	Between jurisdictions only	✓	✗	✓
Profit/loss before tax	✓	✓	✓	✓
Cash tax paid	✓	✓	✓	✓
Tax accrued	✓	✓	✓	✓
Tangible assets other than cash and cash equivalents	✓	✓	✗	✓
Number of employees	✓	✓	✓	✓
Reasons for the difference between accrued CIT and statutory rate	✓	✗	✗	✓
Total accumulated earnings	✗	✓	✓	✗
Stated capital	✗	✓	✗	✗

*The Australian proposal for CbCR was reintroduced on 12 February 2024. The updated draft legislation is expected to come into force for income years commencing on or after 1 July 2024 and is on broader terms aligned with the OECD requirements and as such reduced in the scope of disclosures compared to the first draft.

Have you considered

- How does early implementation of the EU directive in Romania and Croatia impact your potential reporting?
- Are you tracing the development in the CbCR proposed by Australia to understand the differences to the requirement under the EU CbCR?

Total Tax Contribution

How TTC can add value and a broader perspective?

While CbCR only covers the corporate income tax on a cash and accrual basis, the TTC provides an overview of all taxes a company bears and collects on behalf of others.

With the implementation of the EU public Country-by-Country requirements more companies use the TTC disclosure as a preparatory exercise.

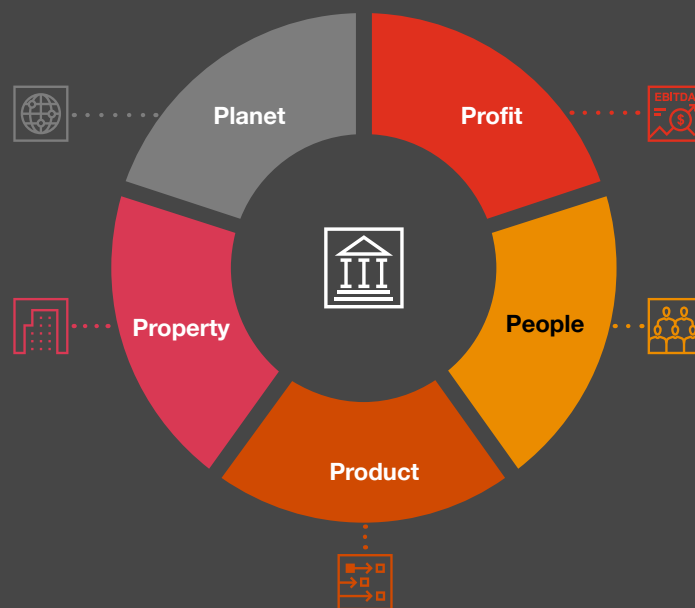
TTC provides a holistic overview of a company's international tax profile and includes all taxes a company pays. This can provide tax teams with a robust baseline upon which key messages can be built and a broader transparency strategy formulated and integrated within a wider ESG strategy.

Where to begin?

TTC is as much a journey itself as developing a wider strategy. Our recommendation is for tax functions to initially focus on data collection for material taxes from top locations with operations. Undertaking this process is likely to produce a tax profile which captures around 80% of the total taxes paid by the company and will provide key messages about the company's overall tax contributions which are unlikely to change in future years.

Building on this process as a starting point on a wider transparency journey will provide tax teams with a solid foundation upon which more informed conversations with stakeholders about transparency and how the company's tax profile supports broader ESG topics can be facilitated.

5 Ps – The TTC tax bases



Greater value in TTC

For those companies who are further along on their transparency journey, there are still ways of gaining more value from TTC.

Leveraging technology and data automation to assist with the data collection process can save significant time and resources. TTC data which has been collected over a number of years can also be used to draw longer-term trends. This data could be used to inform public policy and support conversations on macroeconomic issues such as industry or geographically specific taxation.

What is TTC?

TTC is the total cash taxes and levies paid by a company to any level of government. At a broad level the TTC framework is split into two main categories:

- **Taxes borne:** which is a cost to the company when paid and impacts the company's financial statements; and
- **Taxes collected:** which are those taxes the company collects on behalf of governments as a result of the economic activity generated by the company.

What are the 5 Ps?

Profit:

This includes taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).

People:

Taxes on employment, both borne and collected (including income tax and social security payments).

Product:

Indirect taxes on the production and consumption of goods and services, including VAT and sales taxes.

Property:

Taxes on the ownership, sales transfer and occupation of property.

Planet:

Taxes and duties levied on the supply, use of or consumption of goods and services that are considered to be harmful.

Companies of OMX C25

- Ambu A/S
- A.P. Møller – Mærsk A/S*
- Bavarian Nordic A/S
- Carlsberg A/S
- Chr. Hansen Holding A/S
- Coloplast A/S
- Danske Bank A/S
- Demant A/S
- DSV A/S
- Genmab A/S
- GN Store Nord A/S
- ISS A/S
- Jyske Bank A/S
- NKT A/S
- Nordea Bank
- Novo Nordisk A/S
- Novozymes A/S
- Ørsted A/S
- Pandora A/S
- ROCKWOOL A/S
- Royal UNIBREW A/S
- Tryg A/S
- Vestas Wind Systems A/S
- Zealand Pharma A/S

*It should be noted that A.P. Møller – Mærsk A/S has listed both A and B shares in the C25 index.

Behind the survey

This is the fifth survey of C25 performance on tax transparency. We have reviewed tax disclosures provided for the period January 2023 to December 2023 published by the companies listed in the C25 index as per 31 December 2023.

The survey is based on public information such as annual reports, tax reports and sustainability/ESG reports alongside tax strategies and policies published on 5 April at the latest.

Chr. Hansen Holding A/S and Novozymes A/S merged in January 2024 to Novonosis A/S. As per the cut off date of this survey both companies were present individually in the C25 index, however, due to accounting technicalities the last annual report for Chr. Hansen Holding A/S was delivered for the period 1 September 2021 to 30 August 2022. Since Chr. Hansen Holding A/S was part of the C25 index as per 31 December 2023, Chr. Hansen Holding A/S is included as if the same tax disclosures would have been made.

The purpose of the survey is to provide insights into performance and trends for 2022 and 2023 distributed on nine equally weighted indicators for tax transparency. In addition to that, the survey reflects on the trends we have seen during the past five years where we have analysed the companies.

In line with PwC's commitment to technology, the process of data collection and preliminary analysis was carried out with the assistance of Data Analytics for the second year in a row. PwC's tax tech team utilised two Robotic Process Automation (RPA) solutions to scan published reports and gather pertinent information, guided by nine distinct groups of pre-established keywords for each indicator. For the purpose of documentation and to assist in the review process, relevant report screenshots were automatically created and saved. Finally, a comprehensive review of the gathered data was conducted to verify the presence of necessary disclosures.

Appendix

Board approval

The Danish Committee on Corporate Governance recommends including a board approved tax policy which is publicly disclosed. The latest update of the recommendations was made in 2022, however, the recommendations in terms of tax policy remain the same and suggest that certain specific areas such as acceptance of tax incentives and tax planning and presence in so-called tax havens are addressed as well.

Risk framework

Tax risk management is increasingly important to assure stakeholders that the company's tax strategy, public disclosures as well as returns are followed in practice. A tax risk framework includes a set of activities, tools and governance structures to ensure that tax risks are identified, assessed and responded to mitigate the potential risks.

Transfer Pricing

Information on transfer pricing is an area in which numerous companies are transparent. The transparency on this data is closely linked to the increasing demand for transparency on CbC data which will be mandatory as per June 2024, where more and more companies tie together disclosures on TP matters with the CbCR.

Tax incentives

A tax incentive is designed to stimulate specific behaviours such as investments in new technology by for example providing extraordinary deductions for R&D costs or preferential tax positions for selected industries and activities. The number of companies disclosing has fluctuated. We expect disclosures on incentives to increase further as the CSRD introduces stricter rules around sustainability reporting and the interaction which this has with tax.

Tax havens

During recent years, tax havens have become increasingly subject to public debate and attract interest from NGOs, ESG analysts and the broader public. As a reaction to the increased debate, a growing number of companies disclose information regarding why and to which extent they are present in tax havens. This includes information regarding the number of subsidiaries operating in low-tax jurisdictions and the background for their presence. Information on tax havens is often provided in the tax policy of companies performing business operations in the relevant countries or included as part of the CbC reporting.

Narrative to support tax reconciliation

Providing the voluntary narratives in respect of the drivers of significance affecting the effective tax rate and thus the company's tax position is a response to the request from stakeholders to provide increased transparency of the tax position.

Cash tax reconciliation

Disclosing this information is voluntary and often forms part of the explanation to the development in the company's actual / payable tax. The information is less commonly disclosed and includes the elements relevant to the actual corporate income tax paid. This information often includes a description of factors that impact the actual tax paid, such as the utilisation of tax losses, tax credits, the impact of adjustments from previous years and taxes on account. The reconciliation can be supplemented by information on the actual corporate income tax paid which can also be part of the Total Tax Contribution (TTC) information.

Country-by-Country Reporting (CbCR)

CbCR is an expression broadly used and represents reporting of certain financial data (including revenue, result of the year before tax, number of employees, assets and calculated corporate income tax) per country and not on group level. Private CbCR data is exchanged by tax authorities across 80 countries based on OECD's model. The GRI 207: Tax recommends, among other things, that CbCR data is made publicly available and the standard is to a great extent inspired by OECD. The European Parliament has adopted the directive on public CbCR reporting which is widely aligned with OECD's model.

The analysis shows that besides the companies reporting in accordance with a framework, even more companies publish parts of the data points which the OECD model contains and that these data points are distributed on significant markets or at regional level.

Total Tax contribution (TTC)

The companies' TTC information is often distributed geographically in accordance with the type of taxes and distinguishes between taxes imposed on the companies and taxes collected by the companies on behalf of tax authorities. A growing number of companies have an interest in communicating their contributions to society in a broader perspective than just corporate income tax. Other taxes can include VAT / GST, excise duties, payroll taxes and others. By applying the TTC framework, the companies can connect the broader tax perspective with the wider ESG / sustainability reporting by the companies.

Next steps – how we can help



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Tax Transparency Strategy

With our extensive experience and the PwC tax transparency framework, we can guide you through the process of developing and formulating your company's strategy for advancing tax transparency and securing the benefits of greater transparency.

Together with you, we will develop a roadmap that summarises the initiatives, opportunities and risks of advancing voluntary tax disclosures.

Tax Governance

Providing voluntary tax disclosures requires a robust tax control framework to demonstrate the substance behind the disclosures. In doing so, we can assist you with:

- Mapping the current state of processes, risks and controls and conducting a gap analysis.
- Developing a strategy/roadmap to enhance the tax governance framework.
- Identifying automation opportunities.

Benchmarking

Disclosures around taxes are becoming an intrinsic part of sustainability reporting, making it even more important that you understand the tax disclosures of your peers.

Based on publicly available information and with our growing international database of disclosures, we can assist you in benchmarking in terms of effective tax rates, Total Tax Contribution (TTC) and tax narratives.

This will provide insightful knowledge about your tax profile and how to navigate from here in terms of tax disclosures.

Tech-driven Insights

With our tax tech tools, we can assist you in providing insights into your tax data, such as:

- CbCR analytics and dashboard solutions to identify risks and outliers.
- ESG and Tax Governance maturity assessments – based on the PwC-developed Tax Management Maturity Model (T3M), involving relevant stakeholders to develop a strategy and approach to ESG and Taxes and Tax Control Frameworks.

For more information please click on the links below:

- **CbCR**
- **T3M**