Building Public Trust Through Tax Reporting

PwC's ninth annual tax transparency review

of the **top 100** companies listed on the Johannesburg Stock Exchange

Content

Introduction

The tax executive has a unique understanding of a multinational organisation. In order to identify and manage tax risks, they need to grasp the company's business model, which includes revenue streams, cost structures, and market dynamics. They need to have a finger on the pulse of strategic decisions and be able to untangle the intricate way in which internal functions interact, often across borders. In an environment where legislation and regulations are complex and uncertain, we find that they constantly need to balance having a big picture view while also having a grip on the detail of the day-to-day operations. By investing in a robust tax governance framework and technology, organisations can gain a comprehensive view of their tax environment and total tax contribution. This enables them to have a full understanding of the taxes borne and collected through the value chain of the business.

Companies have never been subjected to as much scrutiny from stakeholders as they are now, and being transparent about taxes can help address the trust deficit. In this ninth edition of our publication *Building Public Trust Through Tax Reporting* in South Africa, we examine the common challenges faced by tax executives in the reporting landscape and present a unique perspective on tax transparency on the African continent.

In previous editions of this report, we conducted detailed discussions on the various guidelines and standards available for transparent tax reporting. We are confident that the PwC Tax Transparency Framework (the Framework) used in the *Building Public Trust through Tax Reporting* in South Africa study (the South African study) provides a good benchmark and offers clear and comparable measuring criteria.

The state of sustainability reporting is still in flux, and tax is, in our view, an increasingly material consideration.

The tax transparency landscape in South Africa

While tax transparency disclosure is not mandatory in South Africa, the JSE has released sustainability disclosure guidance that includes tax reporting, aligning closely with the requirements and recommendations of GRI 207: Tax 2019 (GRI 207). Many companies are also considering other guidelines such as the King IV™* Report on Corporate Governance for South Africa, United Nations Global Compact, United Nations Sustainable Development Goals (SDGs), World Economic Forum Metrics, B Team Responsible Tax Principles, S&P Global Sustainability Assessment, FTSE Russell ESG Ratings Tax Transparency Framework, and MSCI ESG Ratings Methodology to inform their voluntary tax reporting.

Many organisations consider their tax disclosures in terms of "*for whom and for what purpose*" they are reporting instead of simply following a tick-the-box exercise to meet certain requirements. It is important to say upfront that there is no one-size-fits-all approach and, depending on geography, sector, and other factors, different businesses will come to different conclusions at different times about how much and what information should be disclosed to build trust with their stakeholders.

Our aim is to guide companies through the potential complexity of tax transparency to practical execution. With this in mind, we closely monitor developments regarding voluntary transparent tax reporting. In this context, we reconsider the criteria included in the Framework frequently to ensure that it aligns with global frameworks and best practice. We also ensure that our measuring criteria are clear and comparable. We assess companies according to four primary categories, described below.

A Context

- Effective tax transparency – easy to find and well communicated
- Value reporting
- Integration of tax related disclosures with other company related disclosures
- Importance of tax transparency to the organisation
- Frameworks supported

B Tax strategy and risk management

- Tax strategy
- Tax as a business risk
- Tax risk management, tax governance, tax reporting and oversight
- Tax controversy
- Stakeholder engagement
- Tax in the context of ESG

C Tax numbers and performance

- Key financial indicators
- Effective tax rate vs cash tax rate
- Tax incentives
- Clear and understandable rate reconciliation
- Adjusted tax rate
- Future performance of tax rates

D Total tax contribution and wider impact

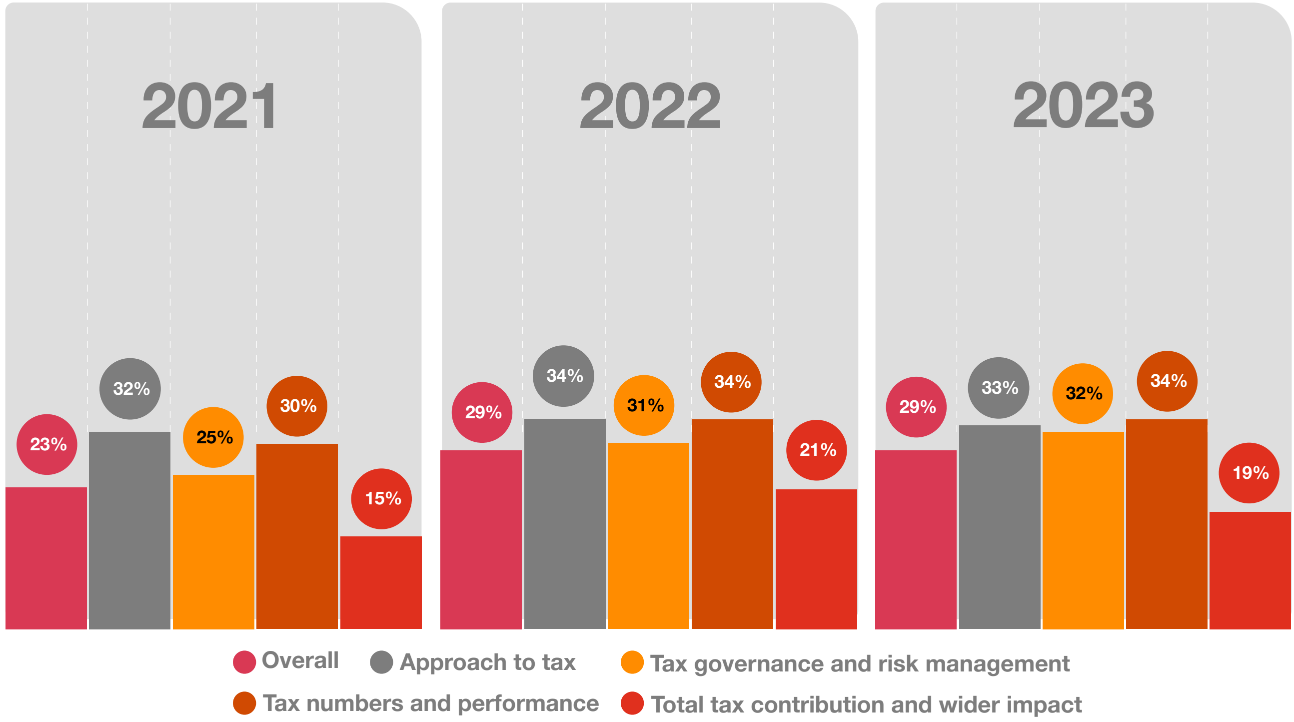
- Jurisdictions, entities and primary activities
- Total economic contributions per tax type, jurisdiction, year
- Other economic contributions to government
- Tax and wider value creation
- Tax and SDGs / corporate citizenship

Average overall score attained for total transparency **29%**

The average overall score in South Africa for 2023 is 29%. There were slight variations in category scores, but the level of tax transparency remained the same as in 2022. Fifteen companies attained a score of more than 60%, of which 11 are primary and four are secondary listed companies. More than 60 (2022: 70) companies attained a score of 30% or less for total transparency. Therefore, even though the overall score attained by companies remains the same from the previous year, it appears that more companies are embarking on a journey towards greater tax transparency.

Graph 1:

Three-year overview of average transparency in South Africa per category of the Framework – all companies.

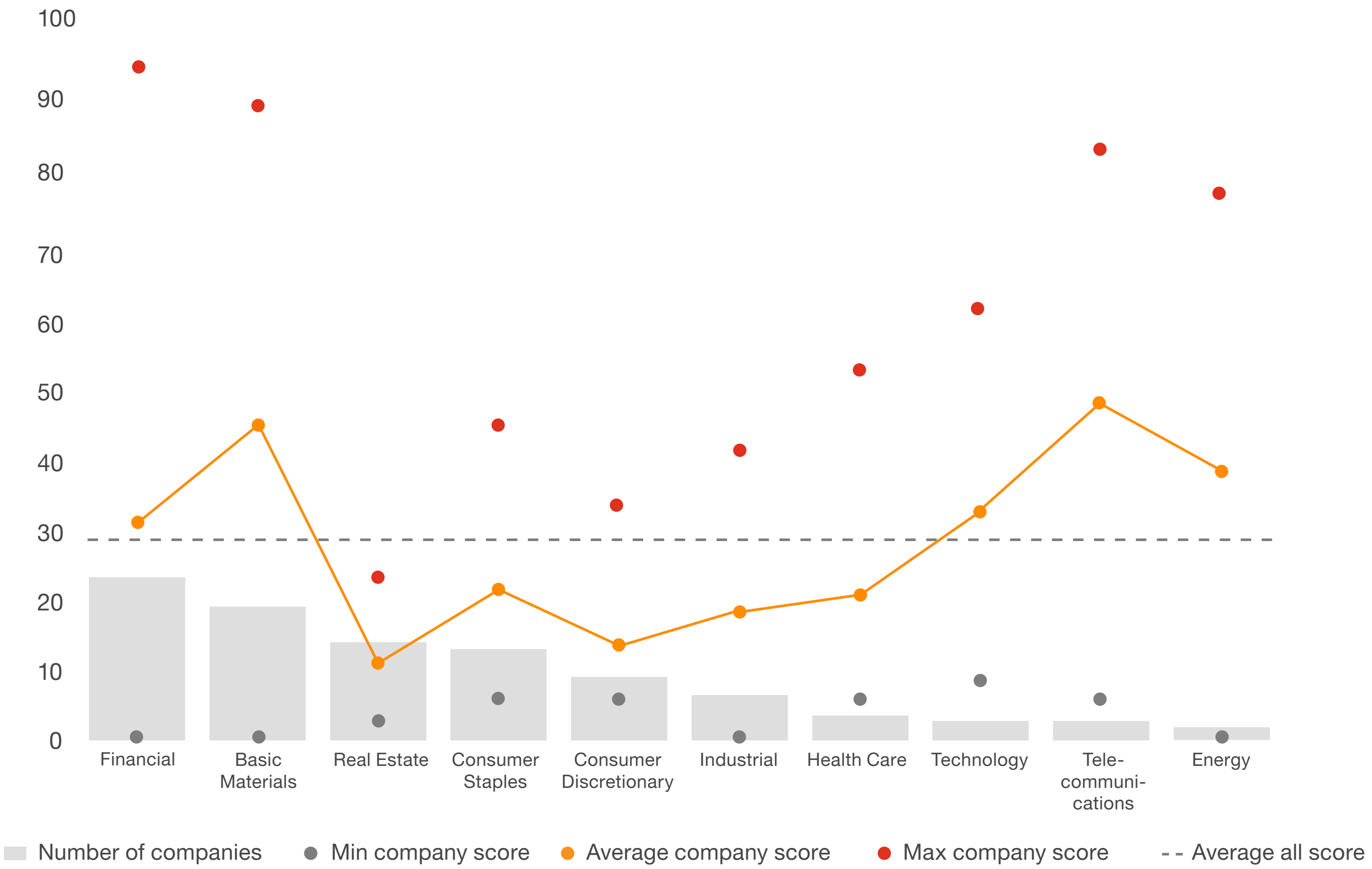


The best-performing company is in the financial sector. On average, the telecommunication sector consistently provided the most effective tax transparency.

Out of the 20 top-performing companies, ten are in the basic materials sector, four are in the financial sector, two are in the telecommunication and technology sectors, and one in each of the energy and health sectors.

Graph 2:

South Africa – minimum, average or maximum score out of a possible 80 points for total tax transparency per sector (scores are indicated as a minimum, average or maximum score out of a possible 80 points.)



Reporting local – measuring global

The tax transparency timeline continues to evolve rapidly and combined with global tax regulation and non-financial reporting requirements, it is necessary to understand what is on the horizon.

> Non-financial information typically refers to information that is not based on the usual financial figures but nevertheless gives stakeholders an understanding of the essential areas of value creation in the business that goes way beyond financial statements.

Global tax policy changes and legislation enacted in the jurisdictions where an organisation operates may have a direct impact on its public tax reporting. Understanding the impact of reporting obligations on the organisation, the interplay of different rules, and the emergence of public reporting obligations is crucial. A range of countries have implemented the OECD's Pillar Two rules, and the United Nations is advancing a new international tax framework through which it aims to reform the current multinational corporate tax system.

Public country-by-country reporting

Companies also need to consider whether they are impacted by public country-by-country reporting (pCbCR) requirements:

- Under the **EU's** pCbCR regulation, companies are expected to disclose CbCR by the end of 2026.
- In **Australia**, the rules take effect for reporting periods commencing on or after 1 July 2024.

EU minimum safeguards on taxation

The EU's **Corporate Sustainability Reporting Directive** (CSRD) will impact more companies than any sustainability regulation to date, bringing approximately 50,000 companies under its scope that are listed in the EU or have significant operations there, regardless of where their headquarters are. CSRD mandates companies operating in the EU to publicly disclose information on material sustainability topics. Given the significance of tax contributions to society and the heightened investor scrutiny on tax, many companies may consider **tax to be a material sustainability topic.** This means that they will need to publicly disclose information on tax. An organisation may use GRI 207 as the basis for its tax disclosures if it considers tax to be a material topic.

It should be noted that an organisation that is required to report under CSRD is also in scope of the EU Taxonomy, which, in short, requires minimum safeguards in relation to tax. The OECD Guidelines for Multinational Enterprises serve as a guide for **minimum tax safeguards**, containing two key expectations that a company must adhere to. They must:

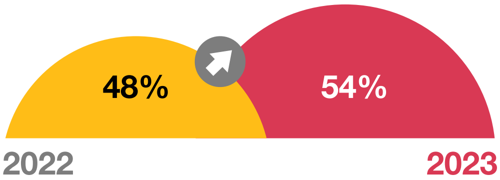
- Comply with the letter and spirit of tax law and regulations of the countries in which they operate, and
- Treat tax governance and tax compliance as important elements of their oversight and broader risk management systems.

Furthermore, a company would not be deemed to meet the minimum safeguards where:

- The company does not treat tax governance and compliance as important elements of oversight, and there are no adequate tax risk management strategies and processes in place.
- The company or its subsidiaries has been found violating tax laws.

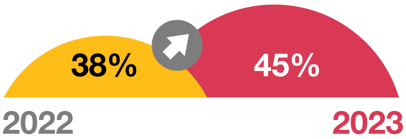
> PwC's inaugural **Global CSRD Survey** revealed that nearly 40% of companies had already involved their tax departments in CSRD implementation, despite the fact that the impact of CSRD on tax will not be fully understood until after the first round of reporting deadlines. Another 30% indicated plans to do so.

Commitment to comply with tax law and regulation



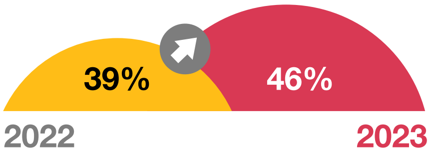
In South Africa, 54 companies disclosed their commitment to comply with tax law and regulations in 2023. Of those, 25 provided detailed disclosure and only six disclosed their commitment to comply with both the spirit and letter of the tax law.

Tax governance and control framework

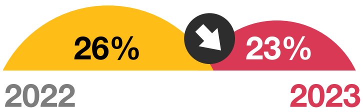


Forty-five companies indicated that their approach to tax was embedded within the organisation in the form of a formalised tax governance framework (where references were made to, e.g., a tax strategy, tax policy, key tax principles, and key tax controls). Of those, 39 provided detailed disclosure.

Tax planning



Use of tax havens



Use of tax incentives

Twenty-two companies provided a basic statement on their approach to tax planning, and 24 companies provided further detailed disclosures of their commitment not to pursue aggressive tax strategies. Disclosure of the use of tax havens and tax incentives still remains low.

Tax transparency – Africa in the global spotlight

In Africa, the tax transparency landscape has very specific drivers. Governments recognise tax revenue as the most sustainable and most viable means to raise funds towards the Sustainable Development Goals (SDGs). For example, there is a significant push for capacity building that aims to make it easier for national tax administrations and other related agencies to deal with tax avoidance, tax evasion, and illicit financial flows (IFFs). This is achieved by offering technical assistance, facilitating collaboration, formulating tax policies and laws aligned with the SDGs, and fostering digital transformation.

The Africa Union Commission has prioritised the fight against all forms of IFFs as a means of enhancing domestic resource mobilisation by African countries. This is crucial to achieving the objectives set for Agenda 2063, a transformation plan aimed at driving inclusive growth and sustainable development in Africa. **The Tax Transparency in Africa 2024: Africa Initiative Progress Report** reveals that seven African countries, either at their request or automatically, used exchange of information (EOI) to identify over EUR2.2 billion in additional revenues (tax, interest, and penalties) from other jurisdictions. This is more than the total revenues they identified using EOI in the period 2009 to 2022. Since 2009, the continent has reported close to EUR4 billion in additional revenue due to EOI.

- The sharing of CbCR information plays a significant role in this transformation plan.
- In addition, collaboration opportunities are being explored between, e.g., the United Nations Development Programme Tax for SDGs Initiative and other NGOs on utilising pCbCR to complement other capacity development efforts

This year, PwC released its second edition of the **Global Tax Transparency and Tax Sustainability Reporting Study 2024** (the global study). The latest report offers a comprehensive global perspective, drawing from a review of over 850 companies based on market capitalisation, across 21 countries. A total of 131 companies across four African countries were reviewed as part of the global study. Below are the key findings from the global study.

- We assessed 117 companies, or 13.4% of the total, as being aligned with the EU's Minimum Safeguard on Tax, of which 56 had their headquarters in non-EU territories.
- Greater reliance will be placed on CbCR data for the purposes of the Pillar Two CbCR-Transitional Safe Harbour.
- Only 24 companies, or 2.7% of the total reviewed, disclosed their CbCR information per OECD BEPS Action 13 Table 1.
- A further 169 companies published 'partial' CbCR disclosures. The CbCR disclosure requirements under the GRI 207 Tax Standard often guided these disclosures.
- Just over a quarter of all companies reviewed in the global study disclosed their total tax contribution (TTC). Of these companies, 46% provided stakeholders with additional information, often breaking their TTC down by geography or tax type. It is inspiring to note that as a territory, South Africa was ranked second in the global study, with 46 of the participating 94 companies disclosing their TTC.

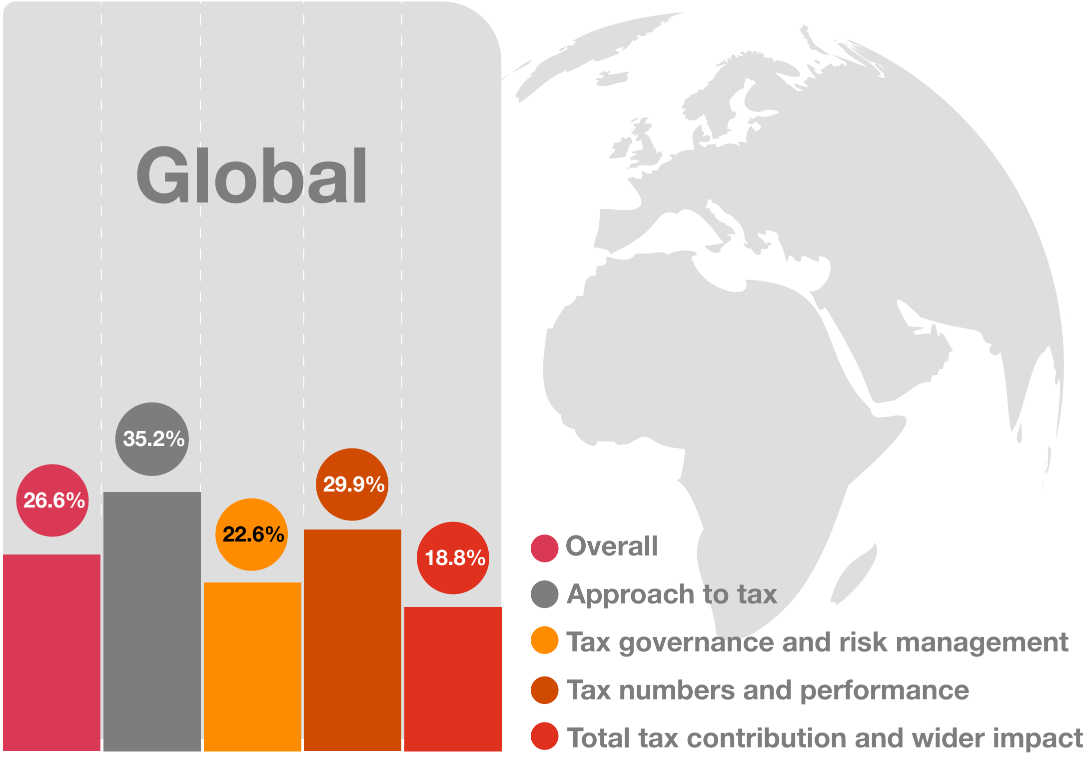
Tax and tax-related sustainability reporting trends in Africa

Out of the 21 territories, South Africa ranked 9th overall in terms of total average overall score per country, with Nigeria 16th, Uganda 17th and Kenya 19th.

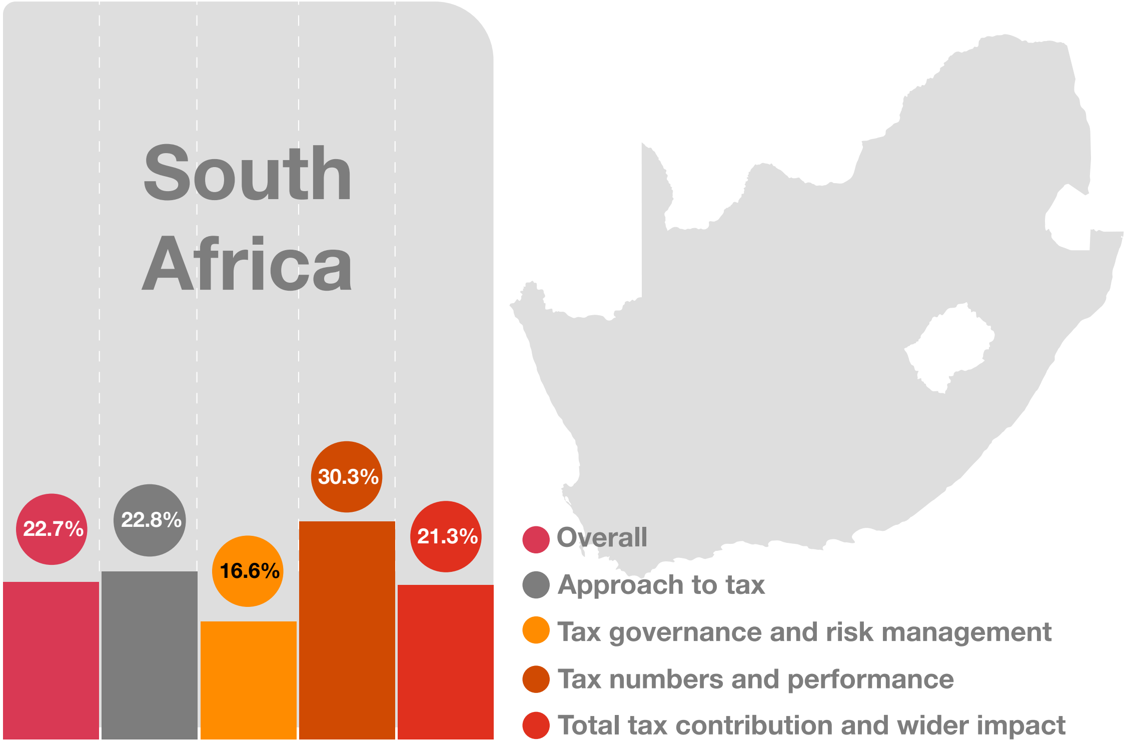
The top ranked country was Spain.

Graph 3:

Global study – An African perspective of the average overall score per African country represented.



Graph 4:
Global study – an extract representing the average transparency per category of the PwC Framework for South African companies

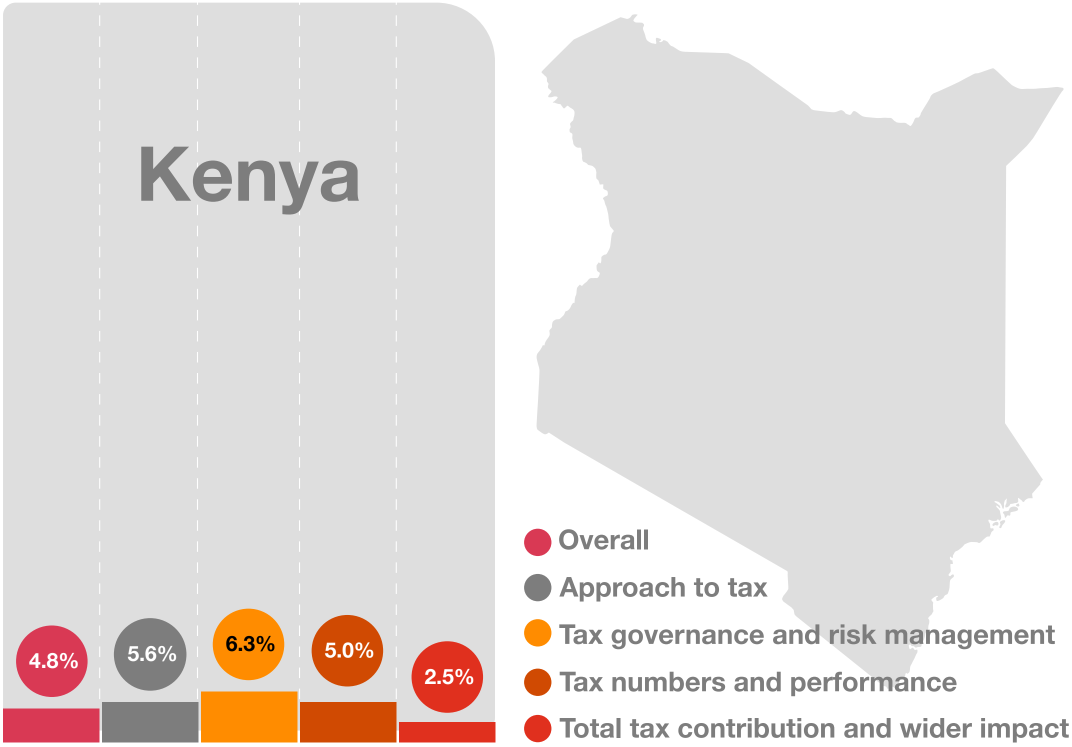


Although the assessment performed in the global study is also based on the Framework, the criteria for the global study are slightly different as the study is based on 37 criteria (the South African study is based on 43 criteria). Furthermore, 94 primary listed South African companies are incorporated in the global study whereas 100 companies (primary and secondary listed) are included in the South African study. Therefore, the average South African scores presented in Graph 1 differ slightly from the scores reported in Graph 4.

Kenya

Graph 5:

Global study – an extract representing the average transparency per category of the PwC Framework for Kenyan companies



The landscape

In November 2021, the Nairobi Securities Exchange published the Nairobi Securities Exchange ESG Disclosures Guidance Manual (the "Guidance Manual"). The Guidance Manual is aimed at improving and standardising the ESG information reported by listed companies in Kenya. While the Guidance Manual mandates the NSE-listed companies to disclose tax related information under the Economic topic, it does not provide guidance on the level of details required. Instead, the Guidance Manual lists several documents and standards that companies can leverage on in reporting the ESG disclosures. One such standard is the GRI Standards.

In addition to the above, the adoption of the IFRS Sustainability Standards, that is, IFRS S1 and IFRS S2 is currently voluntary in Kenya. Mandatory adoption will be required from 1 January 2027 for Public Interest Entities ("PIEs"), 1 January 2028 for large non-PIEs and 1 January 2029 for SMEs. The Kenyan regulatory space regarding public tax disclosures is therefore in the nascent stage. Currently, all tax disclosures on aspects such as tax strategy, total tax contribution data and tax risk management are on a voluntary basis.

Participants

Ten out of the 65 companies on the Nairobi Securities Exchange.

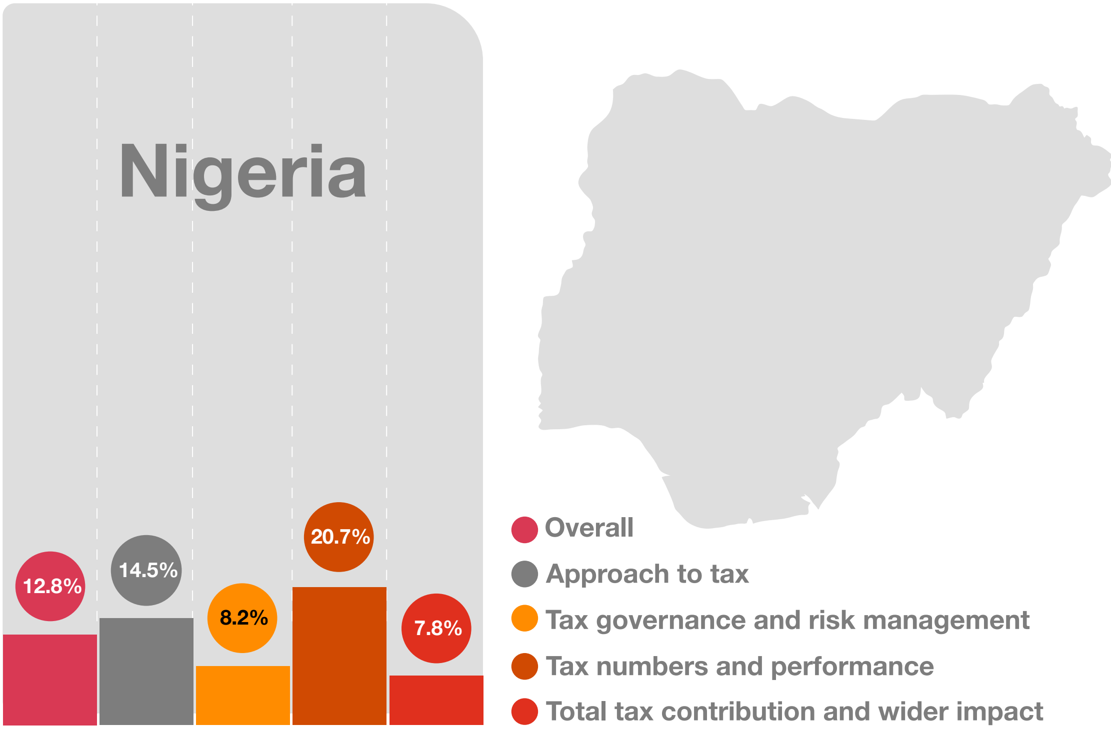
Findings

None of the Kenyan companies in the global review published their tax strategies or explained their approach to transfer pricing. Only two disclosed their governing body's responsibility for the tax strategy, and there were no disclosures by any companies on tax incentives or compliance commitments. Only four companies identified tax as a business risk, while two discussed their approach to managing tax risks. In the integrated and sustainability reports reviewed, reconciliation between the effective and statutory tax rates was often missing or inadequate. There was also a critical lack of discussion on the impact of tax legislation changes and forecasts of future tax payments. None of the companies in the global review linked tax to ESG goals or discussed the benefits of tax transparency for stakeholders. Only one company mentioned using GRI 207 as their guiding framework for public tax disclosures.

Nigeria

Graph 6:

Global study – an extract representing the average transparency per category of the PwC Framework for Nigerian companies



The landscape

In June 2023, Nigeria became the first African country to adopt the sustainability standards of the International Sustainability Standards Board (ISSB), specifically IFRS S1 and IFRS S2.

Participants

Sixteen out of the 151 companies on the Nigeria Exchange.

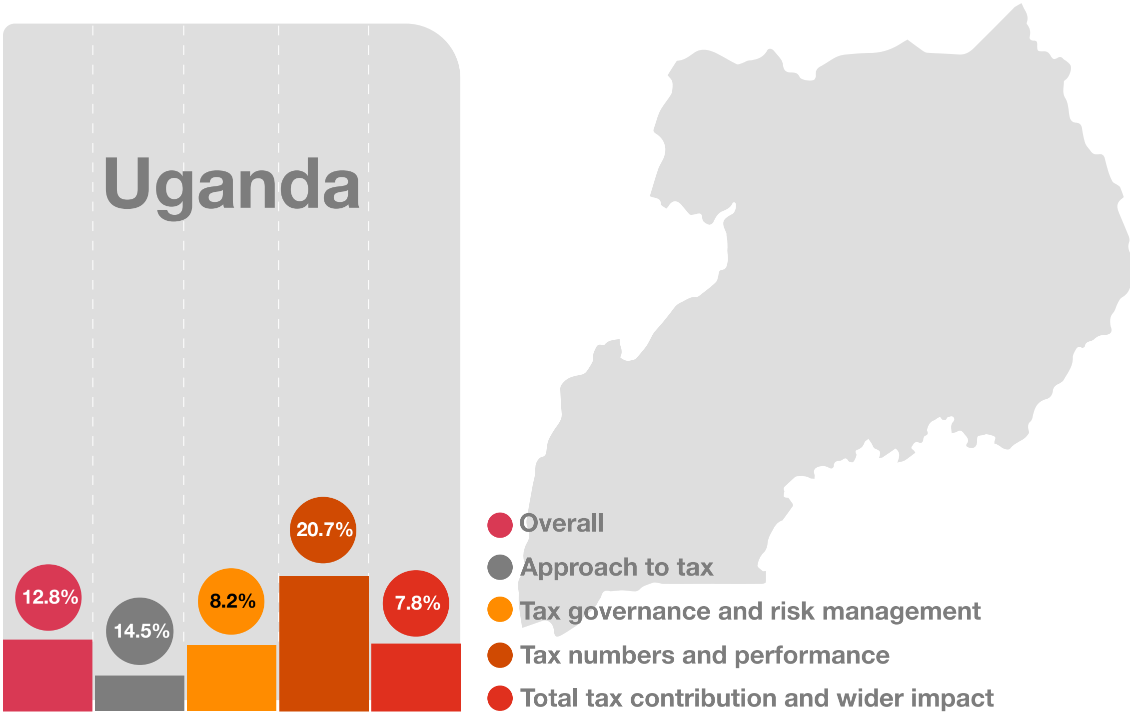
Findings

In Nigeria, leading companies in the telecommunications and financial services sectors ranked highest in terms of their overall approach to tax and disclosure of their TTC when benchmarked against more developed jurisdictions. The highest-ranking companies assessed are mostly multinational groups with headquarters in South Africa. None of the companies in the global review explicitly disclosed their commitment to complying with the spirit and letter of the tax laws and regulations in the jurisdictions where they operate. Over 70% of them have not published a tax strategy, and although a few disclosed their approach to managing tax authorities, more than 80% of the companies under review did not disclose their commitment to making timely payments to tax authorities. Most companies (85%) did not mention the tax incentives that could be benefiting them, nor their level of compliance with tax anti-avoidance strategies.

Uganda

Graph 7:

Global study – an extract representing the average transparency per category of the PwC Framework for Ugandan companies



The landscape

In Uganda there are mandatory tax reporting rules enforced by the Capital Markets Authority, spurring some level of transparency; however, many companies do not exceed legal and financial reporting obligations by providing additional information to stakeholders. Through the implementation of the Automatic Exchange of Information Act 2023, Uganda imposed due diligence and reporting obligations on financial institutions, along with efficient mechanisms to facilitate the exchange of tax information.

Participants

Eleven of the 16 companies on the Uganda Securities Exchange.

Findings

Listed businesses do not have a legal obligation to publish a tax strategy. This has resulted in extreme variances in the tax-related information provided by companies. This absence of regulation has seen some companies providing copious amounts of information, ranging from the company's approach to tax risk management to tax planning, to their relationship with the Uganda Revenue Authority. Others, however, have merely complied with the legal requirements but refrained from voluntarily sharing their tax information. The review found positive developments in companies disclosing their TTC, with companies in the financial services' telecommunications; and energy, utilities and resources sectors performing particularly well in their disclosures.

It is evident from the study performed in Kenya, Nigeria, and Uganda that, without a legal duty to publish more information on their tax practices, tax information released by large Africa-based companies differs greatly. Some disclose their tax policies and tax contributions in detail, while others simply comply with regulatory obligations. Alignment with global standards is improving in some sectors. Though progress has been made, many corporations may lack commitment to adapting their tax reporting as a result of a complex and uncertain regulatory environment on the continent.

Complexity unravelled – bridging regulations and real-world reporting

With the increasing emphasis on tax transparency, many corporations encounter numerous practical challenges, not only in deciding with which frameworks to align but also in defining and refining how tax interconnects in the process of reporting and finding a shared language for effective communication. Navigating these challenges may be both overwhelming and frustrating, and it may impede the capacity to communicate a thorough narrative on tax.

We consulted ten top-performing companies in South Africa to understand their strategies for addressing these challenges and the measures they have implemented to ensure consistent tax reporting beyond financial statements. We value their feedback and input, which was provided to us on an anonymous basis. Their 'top tips' for tax reporting are included below.

The case for breaking down silos and demonstrating tax in the context of value creation

In our experience, within many companies there continues to be a disconnect between tax departments and other functions within the business. Tax departments often lack knowledge about non-financial reporting requirements and its potential impact on their tax strategy, governance, and tax risk profile. Conversely, investor relations and other reporting teams often view tax only as a line item in the financial statements, overlooking its wider role in creating value. When it comes to **sustainability reporting** they don't always involve tax teams early enough or at all in the process.

Top tips:

- Cross-functional collaboration across various departments provides a better understanding of how the various aspects of the business interact, integrating insights and allowing for a more cohesive and comprehensive narrative that reflects financial and non-financial impacts and outcomes.

Making the leap from traditional financial tax reporting to fully integrating the tax narrative and additional non-financial data into a corporate reporting suite report is challenging.

Top tips:

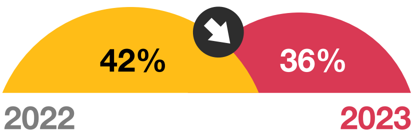
- When communicating the organisation's overall strategy, governance, performance, and prospects in the context of its external environment, it is important to understand how taxation contributes to the creation, preservation, or erosion of value over time through the business model and to use this information to report a value creation story.
- Tax should be considered and reported by applying the generally accepted measurement and disclosure methods as appropriate for integrated reporting/sustainability reporting.

> Whilst tax is integral to the operations of any company, its relative importance and materiality may vary between companies. The Integrated Reporting Framework, 2021 defines integrated thinking as "the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects". Given the pervasive impact of tax on a company and that the impact of tax transactions on a business may vary between years, it would be expected that representatives of the tax team would provide input into the process of the materiality assessment. However, this may not necessarily translate into tax being considered to be a material matter from a reporting perspective for all organisations, every year. It is, however, evident from the tax transparency reports reviewed that the impact of the tax function extends further than simply financial capital and extends to social and relationship capital, impacting the legitimacy of an organisation and its ability to claim to be part of, rather than apart from, the communities within which it operates. Like other elements of reporting, the tax transparency report must reflect the thinking that goes into decision-making and the actual workings of the company from a tax perspective rather than simply being a collection of data points gathered at the end of a reporting period. Given how integral tax is to every transaction within a company, it is expected that the same rigour that applies to other elements of reporting would be applied to tax reporting so that a consistent message across all reporting is evident to the reader.

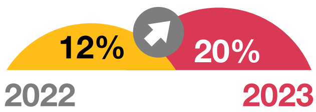
Prof Zubair Wadee
Head of the Margo Steele School of Accountancy at the University of the Witwatersrand

Achieving an ideal level of integration and collaboration is not a one-time effort but an iterative process that often requires a cultural shift and many hours of engagement across functions. Refinements and adjustments will be made over time to enable a holistic picture.

Integrated tax disclosure



Standalone tax reports



In South Africa, 36 companies were able to integrate tax-related disclosure with other company-related disclosures in 2023, demonstrating an interrelatedness and dependencies between tax and other areas of the business and the factors that affect the organisation's ability to create value.

We also see an increase in companies that produce a standalone tax report. This year, 20 companies either produced a tax transparency report separately in the corporate reporting suite or included it as a separate section in other reports such as the governance or ESG reports.

Integrate tax within sustainability reporting

In our **previous publication** we explored the crucial role that tax directors play in integrating tax as a strategic influencer to achieve the organisation's sustainability goals. Utilising the PwC Tax Transparency Framework may help guide this process. The Framework aligns with the disclosure criteria from the following external standards:

- GRI 207: Tax 2019
- The B Team Responsible Tax Principles
- The World Economic Forum's Stakeholder Capitalism Metrics on tax
- The JSE Sustainability Disclosure Guidance
- Investor-related ESG metrics

Ensuring that tax is included in **materiality evaluations** and communicated to stakeholders is crucial for enhancing understanding of the risks, opportunities, and sustainability impacts associated with tax. However, many tax directors are not part of the process of identifying relevant sustainability reporting topics.

Tax can be considered to be a material sustainability topic for some companies. This is because the taxes paid and collected by an organisation can represent its most material monetary contribution to society. It can also be regarded as such as a result of the nature of its tax profile, its reputation, and the expectations of key stakeholders such as investors, regulators, governments, and the broader society in which it operates.

> “The tax function should be consulted when determining financial materiality as well as impact materiality. In 2023, best-performing companies exhibited good integration with the complete set of reports. An important aspect which came through in this year’s assessment framework was comparisons over time – past years as well as the short-, medium-, and long-term futures.
>
> Companies should consider providing trend information and future expectations along with other sustainability measures, using the same time horizons as are defined for the company’s strategy and sustainability reporting.”
>
> **Carolynn Chalmers**
> *Chief Executive Officer of Professor Mervyn King’s Good Governance Academy and its initiative, The ESG Exchange*

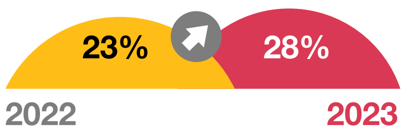
Top tips:

- For integrated/sustainability reporting purposes, the tax function should understand the process, participate early on, and take into account all material impacts and the perspectives of any affected stakeholders. It is not sufficient for the reporting team to perform these considerations on its own.
- In essence, the internal reporting functions should understand the impact of their tax position and tax contribution on environmental and social factors from an inside-out perspective while also considering how these factors influence the organisation from an outside-in perspective.

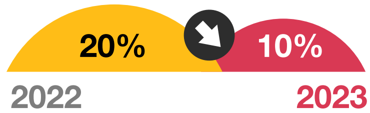
The GRI Standards, which enable an organisation to report information about its most significant impacts on the economy, environment, and people and how it manages these impacts, require that a reporting organisation determine its material topics, which then inform its reporting.

In South Africa, among the 58 companies that referenced the GRI for their integrated or sustainability reporting in 2023, only 20 companies used GRI 207 to comprehensively guide their non-financial tax reporting.

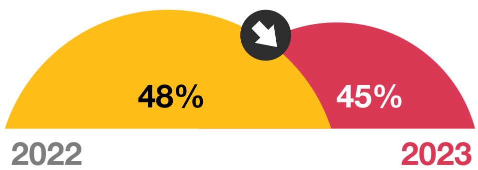
Tax identified as a business risk



Tax identified as a material topic



Tax risk discussed at board level



In South Africa, 28 companies identified tax as a business risk in 2023, of which ten considered it to be a material matter for sustainability reporting purposes.

Almost half of the companies discuss tax at board level, but only 27 companies provided a detailed account of how they communicate tax risk from an operational level to the board or audit committee level, including the frequency and nature of reporting.

Shared vision and common goals

Time is a valuable asset, and achieving tax transparency requires a significant time investment from a tax function that already has to manage multiple responsibilities. Many tax functions are unfamiliar with the corporate reporting process. The process entails collaboration among multiple teams and departments, each of which provide essential data, perspectives and insights. Balancing the requirements for comprehensive tax reporting with other essential business functions requires setting clear objectives, strategic planning, and effective resource management.

Top tip:

When preparing non-financial tax disclosures, it is essential to ensure sufficient integration with the overall reporting process. This includes the reporting suite's methodology, theme, language, structure, layout, cost allocation and timelines. Such collaboration will help determine the most appropriate format for the tax transparency report, namely whether it should be a standalone report, a web page or a separate section in an existing report.

"Integrating the tax transparency report with the broader reporting suite methodology is crucial for ensuring consistency and coherence across a company's disclosures. Aligning the tax report with the theme, language, and structure used in other sections of the annual or sustainability reports provides stakeholders with a unified and comprehensive view of the company's operations. When tax information is presented in a manner consistent with other business disclosures, it becomes easier for stakeholders to understand how the company's tax strategy aligns with its overall business strategy, values, and commitments. This approach also reinforces the message that tax transparency is an integral part of the company's broader commitment to responsible and transparent business practices. Furthermore, synchronising the tax transparency report with the layout, cost allocation, and timelines of the overall reporting process promotes efficiency and ensures a streamlined approach to disclosures. By integrating tax reporting into the established reporting cycles and design frameworks, companies can avoid duplication of efforts, reduce costs, and maintain a cohesive narrative throughout their reports. Such integration not only supports the timely and accurate publication of tax information but also allows companies to effectively allocate resources, ensuring that tax transparency is not seen as a separate or isolated effort but as a core component of their overall transparency initiatives."

Tracy Johnson
Head of Taxation, Department of Finance and Tax Faculty of Commerce, University of Cape Town

Measuring what matters – evidence and fact-based reporting

Reaffirming core principles through continuous monitoring and testing

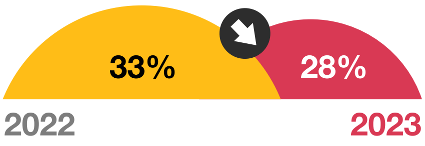
A proactive strategy to consistently assess the tax governance framework fosters ethical behaviour and accountability within the organisation. It entails the formulation of systematic protocols for the ongoing evaluation of the efficiency and effectiveness of tax policies, defined roles and responsibilities, reporting lines, tax processes and procedures and risk management and controls.

Top tips:

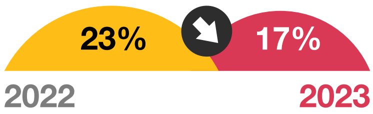
To ensure that the tax governance framework operates as intended and complies with regulatory requirements and best practices, leading companies are saying they prefer conducting internal self-assessments and attestations. These are supported by:

- Regular testing of design, implementation and operational effectiveness, performed by internal audit or an external service provider; and
- Data integrity testing to assess the quality and accuracy of tax data reported both internally and externally.

Monitoring and testing of tax governance and control framework



Mechanisms to report unethical or unlawful behaviour in relation to tax



In South Africa, 28 companies disclosed that compliance with the tax governance and control framework was evaluated in the organisation in 2023. Only 16 companies offered a comprehensive explanation of their monitoring and testing procedures. Seventeen companies disclosed that they had specific mechanisms in place for stakeholders to raise concerns about unethical or unlawful behaviour in relation to tax.

Reporting you can trust – assurance speaks volumes

When reporting on tax, companies may miss the mark with incoherent messaging, boilerplate statements and inconsistent, incomparable, or unverifiable data. This can lead to scepticism or a perception of greenwashing, negatively impacting a company's reputation and undermining the primary objective of tax transparency.

Stakeholders view assurance as critical to instil confidence in the tax information reported by companies. Such assurance should be considered not only for the company's tax disclosure in the financial statements but also for its impact on people and the planet, which includes its non-financial tax disclosure. The result is credibility and integrity of the tax report – ensuring the reliability of decision-critical information and a report without trust gaps. This applies not only to external audiences but also for internal purposes, such as assuring the tax executive, board and audit committee that they are doing the right thing.

Tax transparency is a relatively new concept and assurance thereof is a major shift from the traditional audit scope. By incorporating assurance into both financial and non-financial tax disclosures, companies can enhance the trustworthiness of their reports, thereby supporting informed decision-making and maintaining a positive reputation.

We asked top-performing companies to rank the challenges their organisations face in obtaining independent assurance over their tax transparency report.

1. Cost of assurance (Increase in audit scope with associated cost implications)
2. Data readiness
3. Limited internal appetite for independent assurance
4. Unclear reporting frameworks
5. Time limitations and deadlines
6. Competent assurance providers

Assurance over non-financial tax disclosure

11% 2022 → 12% 2023

In South Africa, 12 companies provided 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.

Beyond borders – tapping into trusted tax data to support the tax narrative

An essential element of effective tax transparency is **trusted tax data**. However, tax functions often encounter a disjointed data landscape, with information being spread across various functions, systems, and formats. This fragmentation hinders efforts to achieve a unified view. Manual data entry remains prevalent, increasing the risk of quality issues flowing into downstream systems. Inadequate data controls and a limited understanding of the end uses of data exacerbate these challenges.

Moreover, data challenges extend beyond mere collection. Inconsistent use of data sets across different tax filings often increases the risk of discrepancies. Data that is gathered and sanitised for a specific reporting requirement frequently remains underutilised in other contexts, resulting in inefficiencies.

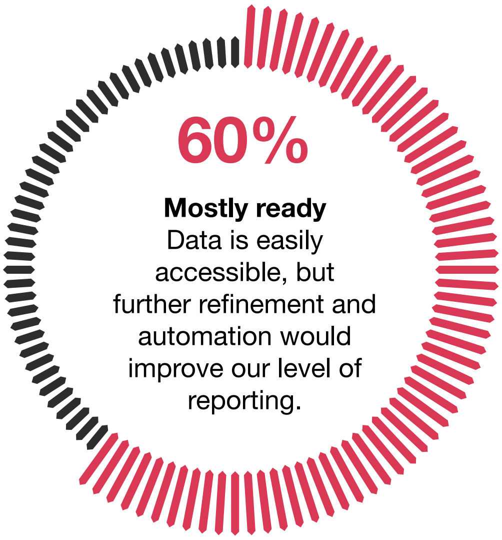
Despite the collation of tax data appearing to be a compliance-driven task, it can yield significant business benefits. The same technology optimisation that enables, for example, CbCR and TTC data can also support Pillar II readiness and provide executives with dashboard-style real-time information that enables decision-making and identifies risk.

“Accuracy in reporting stays of paramount importance. It is expected that key information in the tax report will align with other reports in the organisation’s reporting suite, unless the reader is provided with information explaining the discrepancies. If basic accuracies are compromised, it might impact the trust that the reader has in the other more complex reporting issues.”

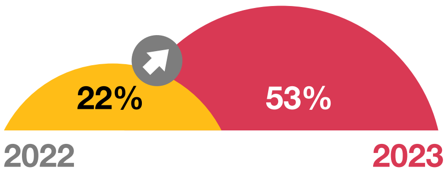
Prof. Madeleine Stiglingh
Head: Chartered Accounting programme, University of Pretoria

Total tax contribution

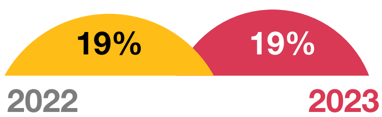
We asked top-performing companies to indicate their level of data readiness for disclosure of their total tax contribution at a jurisdictional and tax-type level.



Total tax contribution



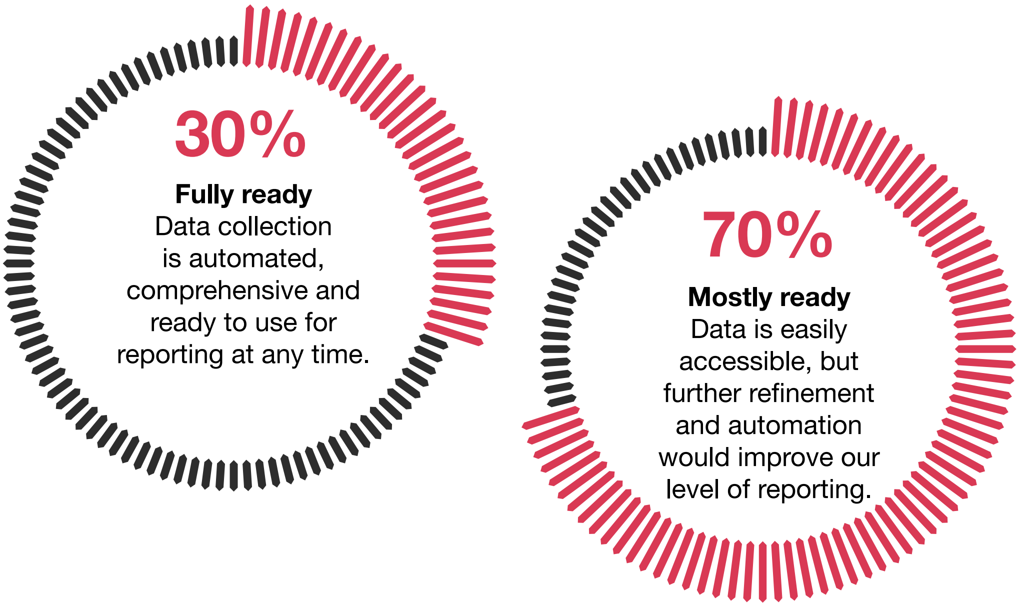
Total tax contribution breakdown on a country-by-country basis



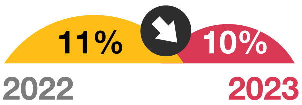
In South Africa, 53 companies provided a consolidated view of their TTC in 2024. Thirty companies also provided a breakdown between consolidated direct taxes, which they directly bear, and indirect taxes, which they collect on behalf of revenue authorities from customers and employees. Nineteen companies disclosed a full TTC breakdown on a country-by-country basis.

Public country-by-country reporting

We asked top-performing companies to indicate their level of data readiness for their public CbCR.



Comprehensive public CbCR information



The CbCR regime is solely focused on corporate income tax, which does not fully represent all aspects of a company's tax contributions. Tax departments should consider the potential benefits of disclosing information about their total tax contribution. This approach can help shape discussions related to their organisation's tax payments and provide a more comprehensive view of their contributions to society.

Findings from our judging panel

Each year, our independent judging panel commends companies with a primary listing on the JSE that demonstrate the highest level of tax transparency, based on the PwC Tax Transparency Framework. Each of the companies mentioned demonstrated comprehensive reporting in all categories of the Framework and also addressed most of the criteria of the Framework.

Below we present the findings of the panels, along with some well-deserved comments made by them.

Best performing in tax reporting

Nedbank Group Limited

The panel commended Nedbank for their consistent, high-quality tax report. The tax report offers a holistic and insightful view that integrates seamlessly with other company reports, ensuring that stakeholders receive a well-rounded, informative perspective on the Group's tax practices and their alignment with broader social responsibility objectives.

Overall, Nedbank's commitment to transparency, clarity, and stakeholder engagement sets a high standard in corporate reporting and social responsibility. Nedbank presents tax as an essential component of its overall business strategy, not as an afterthought. The report is characterised by rich, detailed and insightful information that speaks to its commitment to transparency, providing stakeholders with clear and specific disclosures that are both relevant and useful.

Nedbank's transparency extends to candid disclosures, highlighting its commitment to accountability and open communication, which adds depth to its reporting. Detailed analysis provides context that enhances the overall comprehension of its tax practices and their impact. The use of visual tools further aids in clarifying the activities and their tax impact, making complex information more accessible and understandable for stakeholders.

Highly commended for most significant improvement in tax reporting

Impala Platinum Holdings Limited

The panel commended Impala for a significant advancement in their tax reporting, reflecting a comprehensive understanding of the importance of responsible tax practices in today's business environment. A standout feature of the tax report is the thoughtful integration of tax strategies with the SDGs, showcasing an awareness of the link between responsible tax behaviour and sustainable economic development. This alignment reinforces the Group's commitment to creating long-term value for stakeholders and society.

The report provides a commendable level of detail, ensuring stakeholders receive a clear account of their tax position and associated risks, which is crucial for building trust with investors and the public. Their detailed breakdown of contributions presents a clear picture of the scope and impact of the Group's tax activities in each jurisdiction, emphasising their active role in the economies where they operate.

Overall, Impala's tax report effectively integrates tax information with other business and sustainability disclosures, offering stakeholders a clear, informative, and value-driven perspective on the Group's tax affairs.

Highly commended for consistent performance in tax reporting

The judging panel commends AECI, Exxaro, Discovery, Old Mutual and Vodacom (in alphabetical order) as companies who are consistently providing value-added, high-quality tax disclosure based on the criteria of the Framework.

Our judging panel

Carolynn Chalmers

Carolynn Chalmers is the Chief Executive Officer of Professor Mervyn King's Good Governance Academy and its initiative, The ESG Exchange. She has edited two international standards, the ISO 37000 guidance for the governance of organisations standard and its associated Governance Maturity Model standard, ISO 37004, and is currently editing a third on Group Governance Maturity, ISO 37014. Carolynn is an independent committee member of South Africa's largest private Pension Fund, the Eskom Pension and Provident Fund, and has recently retired from several board committees for the Government Employee Medical Scheme. She is best known for her successes in establishing governance frameworks, and designing and leading large, complex transformation initiatives.

Prof. Madeleine Stiglingh

Madeleine Stiglingh is the Head: CA Programme at the University of Pretoria. She is a CA(SA) and a Master Tax Practitioner with a PhD in Financial Management. Her research focuses on accounting education and the tax burden of corporates, and acknowledges the interdependence of financial and tax related reporting and stakeholder behavior as a reaction to the total tax burden of a corporation. She is also the editor of a leading South African taxation reference work used by both practitioners and students, *Silke on South African Income Tax.*

Tracy Johnson

Tracy Johnson is the head of postgraduate taxation at the Department of Finance and Tax within the Faculty of Commerce at the University of Cape Town. She is also part of the Tax Unit for Fiscal Research at the University of Cape Town. After practising in the field of corporate taxation at PwC, she joined the Faculty of Commerce at the University of Cape Town where she lectures on the Bachelor of Commerce Honours programme in Taxation, and has convened the Master of Commerce in Taxation programmes as well. She holds a master's degree in Taxation, awarded with distinction. She is also a member of the Education Committee and the Assessment Committee of the South African Institute of Tax Professionals.

Prof. Zubair Wadee (CA)SA, ACMA,CGMA

Zubair is the Head of the Wits Margo Steele School of Accountancy at the University of the Witwatersrand (Wits). He is a member of the Integrated Reporting and Connectivity Council and the SAICA Accounting Practices Committee. He has previously served on a number of local and international governance and reporting committees and used to be a partner at PwC.

Methodology

The PwC Tax Transparency Framework is intended to guide companies in developing a tax transparency strategy that is fit for purpose. In this publication, we share the results of a study of the tax disclosure of the top 100 companies listed on the JSE based on market capitalisation as at 31 December 2023 in the context of the Framework. Annual reports, corporate social responsibility reports, annual financial statements, integrated reports, tax reports, sustainability reports, and other relevant publicly available information for the 2023 financial year were reviewed in our assessment.

We assess a total of 43 broadly defined tax transparency criteria in the Framework that we consider to be the basis of good practice in voluntary tax reporting and a maximum score of 80 can be attained.

We hope this report serves as a valuable resource for companies developing their tax transparency narrative and preparing for new global standards and regulatory disclosures.

Please let us know if you would like to discuss how you can improve your tax reporting and governance. High level feedback reports, which benchmark your company's voluntary tax reporting against your peers are available upon request.

Contact us

Carla Perry

Director I Tax Reporting and Governance Specialist

PwC South Africa
+27 (0) 78 735 9393
carla.perry@pwc.com

Kyle Mandy

Tax Partner I Africa Tax Technical and Tax Policy Leader, South Market Area Tax Sustainability Leader

PwC South Africa
+27 (0) 83 701 1202
kyle.mandy@pwc.com

Kerneesha Naidoo

Manager I Tax Reporting and Strategy

PwC South Africa
+27 (0) 83 627 3956
kerneesha.naidoo@pwc.com