Building public trust through tax reporting

A review of the tax disclosure of the top 100 companies listed on the Johannesburg Stock Exchange in 2022

March 2024

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Read more here on our findings representing the level of tax transparency provided by the top 100 companies listed on the JSE for the financial year ended 31 December 2022.

Rethink, reinvent, and remain relevant

What's good for business and good for the communities they operate in don't need to be at odds. Tackling important sustainability issues, including the impact of a sustainable approach to tax that impacts both business and society, should correspond with an organisation's purpose.

Looking outward, tax is a matter of public interest. In addition to raising revenues to fund public services, governments also use tax as a tool to achieve a range of goals. These include influencing behaviour, fostering investment, growth and jobs, and pricing externalities. Tax is also a reflection of a business's significant contribution to society, often being its largest one, and therefore imperative to deliver on the business's sustainability goals.

Looking inward, tax has an opportunity to create lasting value throughout the organisation. Organisations need visibility, transparency, and insights driven participation from tax throughout the business value chain. There is more to gain from tax than just insights into policy changes. Tax operations need to be adaptable to changes in the tax and business landscape. Agility enables tax professionals to work smarter and faster by aligning leading practices and emerging technologies, freeing capacity to focus on insights. Armed with the right information at the right time, tax functions can move from being task-focused to value-added business partners that facilitate a proactive planning and analysis environment.

"Sustainable" and "value" are not separable terms. It is very hard to sustain any tax strategy if it doesn't add value and it is even harder for a tax strategy to add value if it is not aligned to sustainability.

In the face of a relentless rise in regulatory demands, today's tax leaders encounter an enduring imperative to reinvent their approach to tax, to rethink how tax fits into a complex operating environment and how they communicate their broader sustainable tax strategy to remain relevant.

Now, more than ever, it is important to ask whether tax is material to the business. If the answer is yes, have the difficult and important conversations, prioritise and take action.

The 27th Annual Global CEO Survey (our Global CEO Survey) shows that government regulation is one of the key factors that has driven/will drive changes to the way business creates, delivers and captures value in the last five years/next three years and intensifies the impetus to reinvent. Tax-related rules will be a big part of this.

Trust, tax and transformation

A rolling series of global dislocations are creating intense new challenges for society. These dislocations are compounding questions around the resilience of political systems, the efficacy of our multinational institutions and the future of our interconnected global economy. In navigating these disruptions, companies want to be part of the long-term solution.
The business community, along with governments, communities and civil society organisations, have an unprecedented opportunity to lead. Business leaders are focused on operating in a way that drives value for multiple stakeholders and resetting corporate agendas with an eye towards long-term outcomes. These shifts are key to sustained success for both business and society.

Trust is a source of competitive advantage for companies that treat it as such – and a point of failure for companies that don't. Trust can be viewed as a currency, altering loyalty and buying decisions for customers, as well as employee retention. And in a sound-bite world, where social media can move politics and markets, recognising and respecting issues, such as your approach to tax that could push business outside the circle of trust with stakeholders, can be especially helpful.

As the measures for company performance expand beyond financial metrics, companies have an imperative to build trust and transparency among different stakeholder groups – employees, customers, suppliers, regulators and the communities in which they operate. This includes both doing the right thing and communicating clearly on topics such as reporting and tax transparency.

As companies respond to an ever-shifting landscape of changes, risks, challenges and even crises, trust creates a multiplier effect, both positive and negative. Organisations that have cultivated trust as an asset and built up a reserve of goodwill have more breadth in their response. Conversely, companies with a deficiency of trust make challenges that are much tougher on themselves. Revenue authorities will be placing more emphasis on monitoring larger taxpayers who pose a higher tax risk, particularly those who do not demonstrate cooperative and transparent behaviour.

Invariably, tax leaders need to be more transformative in their approach to tax, their tax operations and their tax narrative. Adopting innovative approaches to governance, risk management, process improvement, engagement and a connected, data-driven approach will help accelerate your ability to transform.

Essential to building societal trust is comprehensive and comparable tax reporting. However, producing such reporting remains challenging. Laws, rules, standards and guidance are released in a fragmented manner, resulting in a lack of coherence and a lot of uncertainty. It is therefore not surprising that companies can sometimes feel overwhelmed. So, when reporting on tax, we need to find ways to simplify the context while making sure that users have the information they need to make informed decisions.

Do organisations need to demonstrate a responsible and considerate approach to tax transparency and governance to build trust?

Similar to last year we conducted a informal poll asking the general public what their thoughts are. The message is abundantly clear: 94% of respondents (compared to 88% in the prior year) believe that organisations must demonstrate a responsible and considerate approach to tax transparency and governance to build trust.

The goal of tax reporting should be to provide stakeholders with the information they need to make educated decisions in a way that is both easy to understand and concise. However, this is not a simple task and will require continuous attention.

In this 8th edition of our Building Public Trust through Tax Reporting publication in South Africa we consider why tax is material to both internal and external stakeholders. We go "back to basics": tax transparency is really the tip of the iceberg. What lies beneath is a robust framework that governs tax and an understanding of how tax fits – not only into the business model, but also the operating and technology model that enables it. The mindset change is significant, but necessary. Therefore, we also have challenging conversations that are necessary to navigate the tax transparency landscape.

We continue to explore the value derived from being transparent on tax and the growing interest from stakeholders. Our focus and findings represent the level of tax transparency provided by the top 100 companies listed on the Johannesburg Stock Exchange (JSE) for the financial year ended 31 December 2022.

We are proud to be part of a network of passionate teams that annually look at similar trends. Please refer to valuable country specific insights from Austria, Germany and Switzerland; Denmark, Ireland, Netherlands and the UK on Building Public Trust through Tax Reporting. One of the highlights in 2023 was our collaboration with the global firm in a study on tax transparency and sustainability reporting in 2023 evaluating 269 companies listed in Austria, Brazil, Germany, Ireland, South Africa, Spain, Switzerland and the UK.

We would like to thank each and every one of our community of solvers for their views, insights and expertise shared in this publication. Their contributions are both invaluable and greatly appreciated.

In memoriam

Through the years we have been fortunate to collaborate with many experts in their field to support us in our research and to provide insight for this publication.

This publication is dedicated to the unwavering commitment of Lizette Kotze, Senior Lecturer: University of Pretoria, whose invaluable contributions helped shape the "Building Public Trust through Tax Reporting initiative" for many years.

We recognise the void left behind by her untimely departure. Our thoughts are with her family, colleagues, friends and students.

May she rest in peace.

When is tax material?

Investor sentiment on material issues facing companies

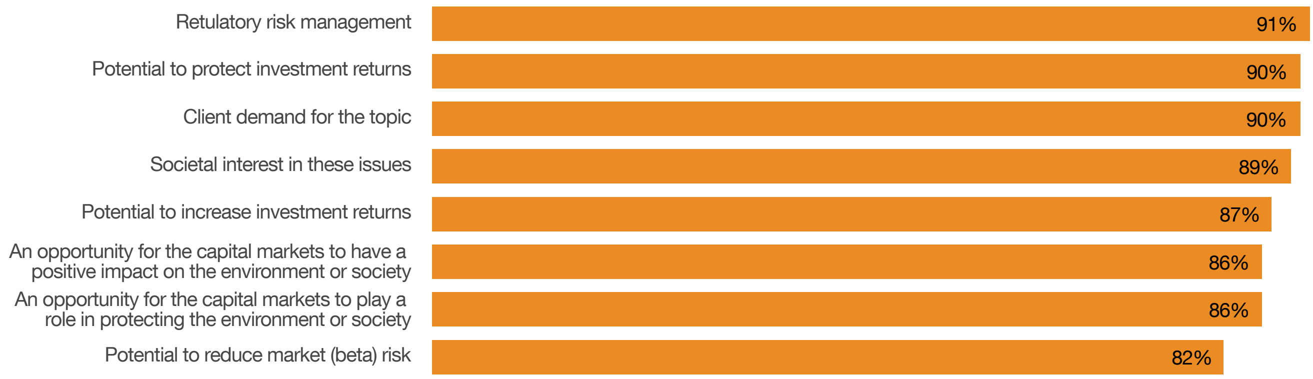
According to our Global Investor Survey 2023, beyond their interest in reporting on how sustainability affects financial performance (outside-in reporting), 75% of investors want to know about the impact a company has on the environment or society (inside-out reporting) – a notable increase from 2022. The majority of investors agree that companies should disclose the monetary value of their impact on the environment or society. They rely on information from a range of sources, including companies and third parties, to make investment decisions. We heard repeatedly that investors want clearer, more consistent and more comparable information on the material issues facing companies.

75% of investors wanted to know about the impact a company has on the environment or society (inside-out reporting). That's a big increase from 60% in 2022. Among those investors who said this latter form of impact matters, 75% agree that companies should disclose the monetary value of their impact on the environment or society – up from 66% in 2022. And 81% of investors said that knowing the monetary value of the company's environmental and societal impact would help companies better integrate potential trade-offs between environmental and social issues in their decision-making.

To meet investor demands, companies should provide a complete, interconnected and balanced narrative to demonstrate that they are managing risks and identifying opportunities that allow them to continue to create value over the long term. Investors are triangulating one information source against another, likely because they don't trust any single source entirely.

Today, investor interests in sustainability investing are strongly driven by a number of different factors, the most significant of which is regulatory risk management which includes the potential tax risk a business is exposed to.

Figure 1: Share of respondents who think these factors will drive investor interest in Environment Social and Governance (ESG) or sustainability investing to a moderate, large or very large extent



Source: PwC Global Investor Survey 2023

> Investors want companies to make a positive impact on their communities and the planet. What's more, they want better reporting on how that's being done, both in the immediate term and over the next three, five, and ten years – including disclosures about the material impact of those activities on a company's performance.[1]
>
> **– Nadja Picard, Global Reporting Leader PwC**

Against this backdrop, companies will need to think hard about what matters most to their investors and other stakeholders. With better information in hand, companies will be better able to communicate a more complete, interconnected and coherent narrative to investors.

Investor sentiment on tax

Investors are focused on multiple factors, including tax transparency when evaluating companies – driven by differences in industry, region and personal or client preferences. Over the past year, there has been a substantial rise in investor-led resolutions calling for multinational companies to adopt transparent public Country-by-Country Reporting (pCbCR).

Many investors expect company boards to possess a deep understanding of the broader tax impact on company operations, while also taking into consideration the concerns of all relevant stakeholders.

According to the United Nations Principles for Responsible Investment (UN PRI) a growing number of investors are integrating the risks posed by tax issues in their investment decisions. Others are also beginning to consider tax issues from an impact perspective, for example as part of shaping sustainability outcomes.

Examining potential opportunities and taking calculated risks is a fundamental aspect of being an investor. Hence, intricate or ambiguous ownership and organisational structures are cause for concern. Investors highly value companies that prioritise responsible tax practices and are transparent about their economic contributions. Investors' views are that ensuring open and honest disclosure of value creation and related tax payments should not impede a business staying ahead in the market. The primary focus of these reports does not necessarily involve sharing sensitive information that could be used by rival businesses to their advantage.

> Our expectations on tax and transparency rest on three main principles. The first is that taxes should be paid where economic value is generated. The second is that company tax arrangements are a board responsibility. The third is that public country-by-country reporting is a core element of transparent corporate tax disclosure.[2]
>
> **– Norges Bank**

1 Are investors souring on ESG? Don't bet on it
2 Tax and Transparency Expectations Towards Companies

Determining materiality in a sustainability context

Companies need a process to identify relevant sustainability related reporting topics, taking into account the information needs of the intended users and stakeholders (internal and external) – referred to as a “materiality assessment”.

A materiality assessment can answer questions like:

- What issues matter most to which stakeholders?
- Which issues to prioritise for investment?
- How to effectively communicate the sustainability strategy to stakeholders?

Companies need to be able to articulate their process of identifying relevant sustainability reporting topics and performance metrics within their external reporting with enough detail that a reader can understand what they did and how they identified the material topics.

Typically, under voluntary sustainability reporting frameworks and standards, a materiality assessment identifies and prioritises the sustainability topics and factors that impact the company’s strategic business objectives, key products and value chain and are important to the company’s stakeholders.

What is material to the business?

- What drives board and management decisions when setting a strategy and running the business?
- What actions and activities drive value creation?
- What is material to investors and other stakeholders?
- What matters to investors / stakeholders for their own decision making?
- What matters to the board and management has a significant overlap with what matters to investors / stakeholders – but they may not be the same.

Within some emerging sustainability reporting standards, there’s an accelerated move towards a concept of materiality more aligned with that of financial reporting as well as the concept of ‘double materiality,’ Under the double materiality concept, a sustainability matter can be material from an impact point of view and/or from a risk and opportunity perspective.

Double materiality

“Inside-out” – What matters to the planet and society?

- The company's impact on sustainability topics which may also impact the company over time.

“Outside-in” – What matters to investors and creditors?

- How sustainability topics affect the future development, performance and position of the company

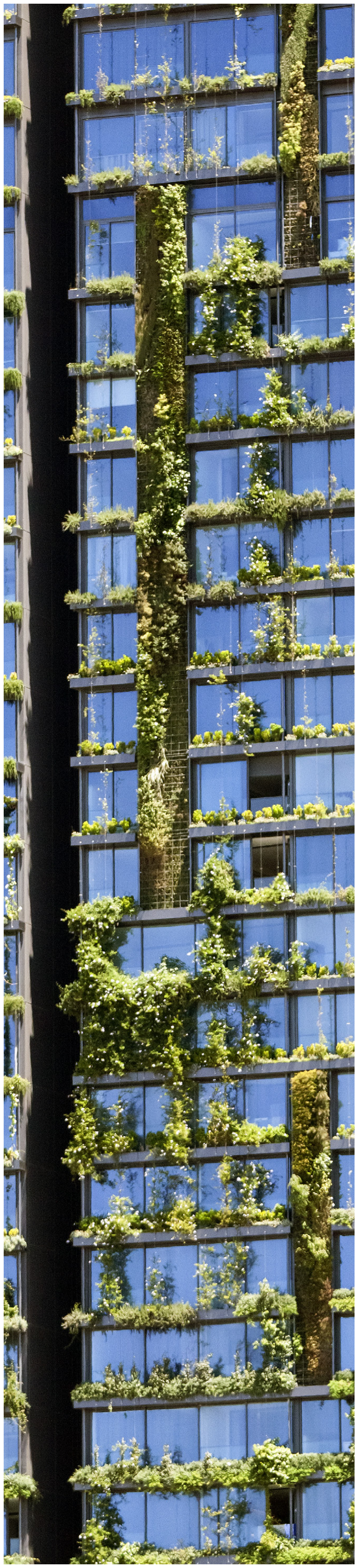
Focus on what matters most – a report and strategy based on material topics create more transparency, contribute to better decision-making and ensure that time and resources are focused on those topics that matter most to the organisation, its stakeholders and society at large.

Tax in the materiality assessments

"According to the EU Corporate Sustainability Reporting Directive (CSRD), the Global Reporting Initiative (GRI), Organisation for Economic Co-operation and Development, (OECD), World Economic Forum's (WEF), International Business Council (IBC) Stakeholder Capitalism Metrics and various other standards, a company's sustainability report should reflect the topics that are material to the business and its stakeholders, and for this purpose it should conduct and publish a materiality analysis. The outcome of the analysis is often shown in a materiality matrix and is meant to help the company prioritise sustainability issues for reporting purposes.

The process of materiality analysis is largely determined by the companies themselves. Besides consulting stakeholders, peer reviews can also be useful.

Tax may not appear frequently as a material topic in sustainability reports because it is often subsumed under other topics such as compliance, corporate governance or business ethics. Another reason could be a lack of awareness of how tax connects to other sustainability issues. Tax is sometimes still viewed narrowly as a financial issue that is governed by complex legislation and disclosed in financial statements. However, taxes have a wider impact on society, as they fund public services, support economic development and promote social welfare. Therefore tax and sustainability experts need to collaborate on developing a shared understanding of tax in the context of sustainability."



Tax Directors play a key role in ensuring that tax is embedded as a key strategic influencer in fulfilling their organisation's sustainability objectives. Making sure tax is included in materiality evaluations and brought to the attention of stakeholders is one approach to help people understand the risks, opportunities and sustainability impact of tax.

Taxes paid by a company represent a significant financial contribution to environmental and social initiatives and these taxes support public services, green infrastructure, educational programs, and community projects.

When considering tax as a material topic companies should consider the potential impact of the following scenarios:

- Potential understatement of tax liability.
- Evidence of a lack of consistency and governance impacting the company's approach to tax.
- Perception that the company does not pay the correct amount of tax.
- Unresolved / open assessments and/or audits or recent settlements with revenue authorities.
- Perception that the company uses aggressive strategies to minimise tax.
- Limited / no public disclosures on tax.
- Operations in various low tax jurisdictions.
- Media attention in relation to taxes.

Tax might be material for three main reasons – what the data says about the business's tax contribution to society, what the business's governance structure says about its risk management, and what its tax strategy says about its view on tax sustainability.

For those reasons, the materiality assessment should consider the external impacts of tax on the environment and society, and the internal impacts of tax on the company's business model and strategy – that double materiality again .[3]

– Will Morris Global Tax Policy Leader, PwC

Tax in the sustainability context is a dynamic field, the material impact thereof will require regular review and consideration to ensure that the company adapts to changing conditions and stakeholder concerns. Hence, strategic alignment with the company's overall strategy and objectives is key. This alignment also helps in prioritising actions and allocating resources effectively.

3 Tax and ESG Reporting Is a Growing, Undervalued Relationship (1)

Taking a step back from transparency – getting the basics right

First governance – then transparency

Governance extends beyond mere compliance and disclosure. The focus should be on maintaining a responsible business environment through effective performance, ethical behaviour and responsible stewardship.

A framework to govern tax requires establishing tax governance structures, a sustainable tax strategy, tax risk management and robust tax operations. Such a framework should allow for performance management and regular assurance to ensure that what was designed is implemented and is effectively operating.

Diagram 1: A framework to govern tax

The quality of an organisation's framework to govern tax is an important element in building trust – to show governments and other stakeholders that businesses take their obligations seriously. Stakeholders often look at how businesses manage their tax affairs as an early indicator of how they might manage other aspects of their sustainability agenda and their business more generally.

Understanding and defining good governance can be a complex task. There is, however, no universal tax governance standard, as enterprises vary greatly in terms of their operations, jurisdictions and business organisations. Nevertheless, we have observed an increasing wealth of best practices emerging from the experiences of large companies as they strive to establish robust tax governance frameworks.

Slightly more than half the business leaders polled in our Global CEO Survey believe that changes in regulation will impact profitability in their industry over the next ten years. Tax-related rules will be a big part of this and will create a whole new set of challenges – challenges companies won't be able to address without a solid tax governance framework.

Some examples that showcase best practices for good tax governance are derived from insightful publications from the B Team[4] and the European Business Tax Forum[5] (EBTF). The OECD[6] has also been highly engaged, providing guidance on building better tax control frameworks.

A robust framework to govern tax is crucial for managing tax affairs within a group. It allocates accountability for the design, implementation, and effectiveness of all measures, activities and processes related to tax within an organisation. It places tax matters under the purview of company leadership, including the CFO, CEO, audit committee, risk committee, board of directors and other executive managers.

Most tax functions are swamped and often "fighting fires." However, investing time in developing a strong framework to govern taxes reaps numerous rewards. It gives the tax function a clear direction and a strategic framework to make sure it works with the company's main goals, which would usually be to follow the rules, improve ethics and risk management and make sustainability metrics and reporting better.

Failing to prioritise a formal approach to tax governance significantly increases the probability of exposure to unnecessary financial and reputational risk. It can also lead to missed opportunities to enhance the status and influence of tax across the organisation and externally. The earlier and more decisively you act, the more tax can influence the overall strategy and enable the benefit that transparency can bring organisations.

Once the framework to govern tax is in place, the organisation can craft a credible narrative for taxes and how it is being managed.

"Having robust governance, control, and risk management systems in place for tax can be an indication that the reported approach to tax and tax strategy are well embedded in an organisation and that the organisation is effectively monitoring its compliance obligations. Reporting this information reassures stakeholders that the organisation's practices reflect the statements it has made about its approach to tax in its tax strategy or equivalent documents.

– GRI 207: Tax 2019

4 A New Bar For Responsible Tax
5 Good Tax Governance – EBTF
6 Co-operative Tax Compliance: Building Better Tax Control Frameworks | en | OECD

Tax governance

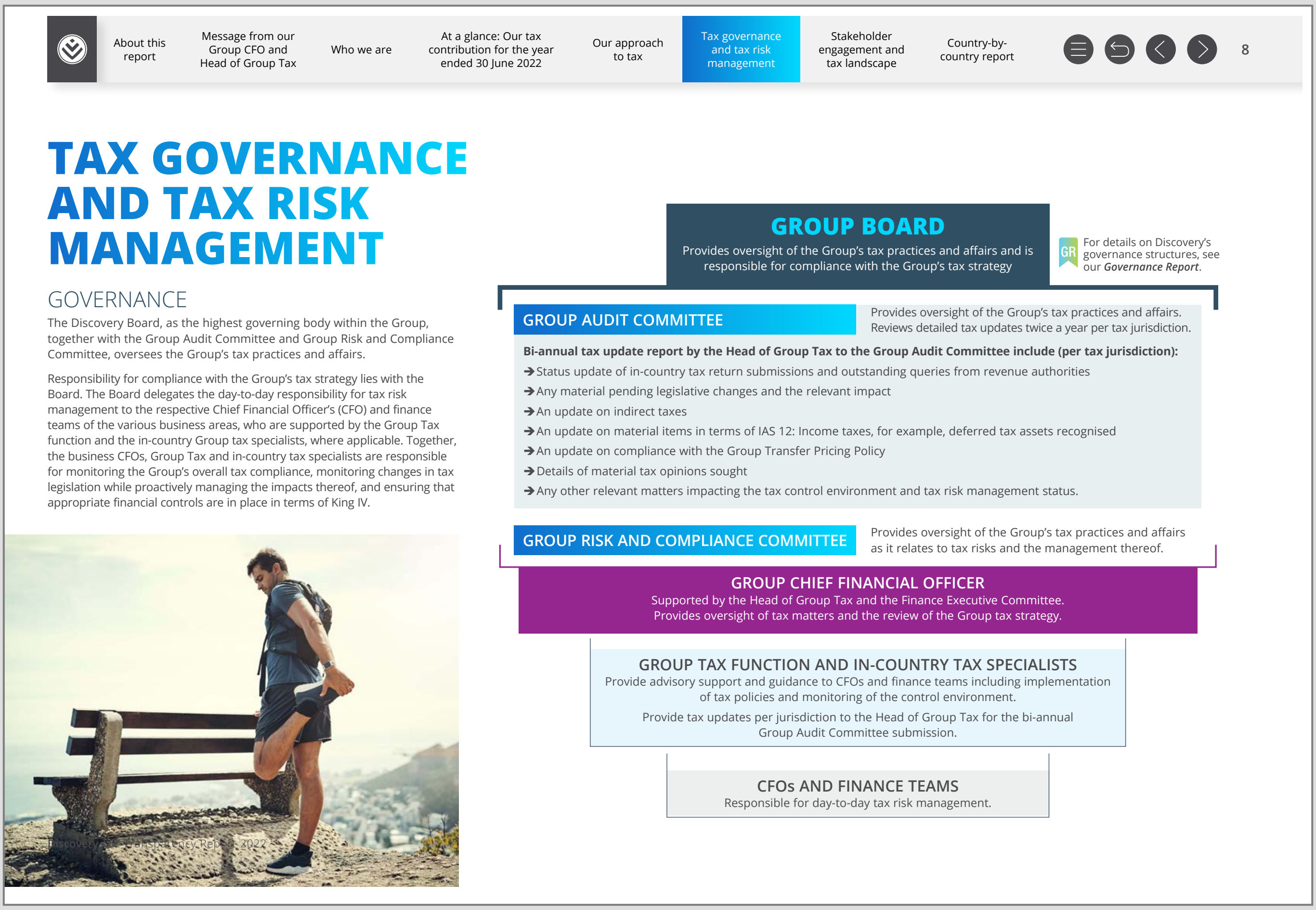
Output: A clear understanding of the structures within the organisation that govern tax.

Key considerations

- Tax is an essential part of corporate responsibility and corporate governance. Therefore, it should be overseen by a governance body, for example the board of directors and executive leadership. First and foremost, their backing will grant the head of tax the power and authority to operate. Furthermore, it will empower the tax function to actively manage taxes.
- Leadership, sponsorship, oversight, and delegation structures should be formalised for tax.
- Tax governance should be aligned to legal entity structures, business segments and value chains, even though this may be complex.
- Businesses are expected to take a comprehensive approach to managing their tax affairs, being mindful not only of commercial implications but also of the potential effect on their stakeholders today and over time.

How can you report?

The business can illustrate its framework to govern tax, by providing examples drawn from its oversight structures for tax as well as its application of governance best practice frameworks, e.g. King IV™[7] or ISO 37000: 2021[8]. The role and responsibilities of these governance structures can be explained as demonstrated in the example below.



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TAX GOVERNANCE AND TAX RISK MANAGEMENT

GOVERNANCE

The Discovery Board, as the highest governing body within the Group, together with the Group Audit Committee and Group Risk and Compliance Committee, oversees the Group's tax practices and affairs.

Responsibility for compliance with the Group's tax strategy lies with the Board. The Board delegates the day-to-day responsibility for tax risk management to the respective Chief Financial Officer's (CFO) and finance teams of the various business areas, who are supported by the Group Tax function and the in-country Group tax specialists, where applicable. Together, the business CFOs, Group Tax and in-country tax specialists are responsible for monitoring the Group's overall tax compliance, monitoring changes in tax legislation while proactively managing the impacts thereof, and ensuring that appropriate financial controls are in place in terms of King IV.

GROUP BOARD
Provides oversight of the Group's tax practices and affairs and is responsible for compliance with the Group's tax strategy

For details on Discovery's governance structures, see our *Governance Report*.

GROUP AUDIT COMMITTEE
Provides oversight of the Group's tax practices and affairs. Reviews detailed tax updates twice a year per tax jurisdiction.

Bi-annual tax update report by the Head of Group Tax to the Group Audit Committee include (per tax jurisdiction):
→ Status update of in-country tax return submissions and outstanding queries from revenue authorities
→ Any material pending legislative changes and the relevant impact
→ An update on indirect taxes
→ An update on material items in terms of IAS 12: Income taxes, for example, deferred tax assets recognised
→ An update on compliance with the Group Transfer Pricing Policy
→ Details of material tax opinions sought
→ Any other relevant matters impacting the tax control environment and tax risk management status.

GROUP RISK AND COMPLIANCE COMMITTEE
Provides oversight of the Group's tax practices and affairs as it relates to tax risks and the management thereof.

GROUP CHIEF FINANCIAL OFFICER
Supported by the Head of Group Tax and the Finance Executive Committee. Provides oversight of tax matters and the review of the Group tax strategy.

GROUP TAX FUNCTION AND IN-COUNTRY TAX SPECIALISTS
Provide advisory support and guidance to CFOs and finance teams including implementation of tax policies and monitoring of the control environment.
Provide tax updates per jurisdiction to the Head of Group Tax for the bi-annual Group Audit Committee submission.

CFOs AND FINANCE TEAMS
Responsible for day-to-day tax risk management.

Source: Discovery Tax Transparency Report 2022, page 8

7 *The King IV Report on Corporate Governance for South Africa 2016, Copyright and trademarks are owned by the Institute of Directors in Southern Africa The King IV Report on Corporate Governance for South Africa 2016, Copyright and trademarks are owned by the Institute of Directors in Southern Africa*

8 *Guidance for governance of organisations*

Sustainable tax strategy

Output – a coherent approach that can be communicated within tax and to the wider business.

Key considerations

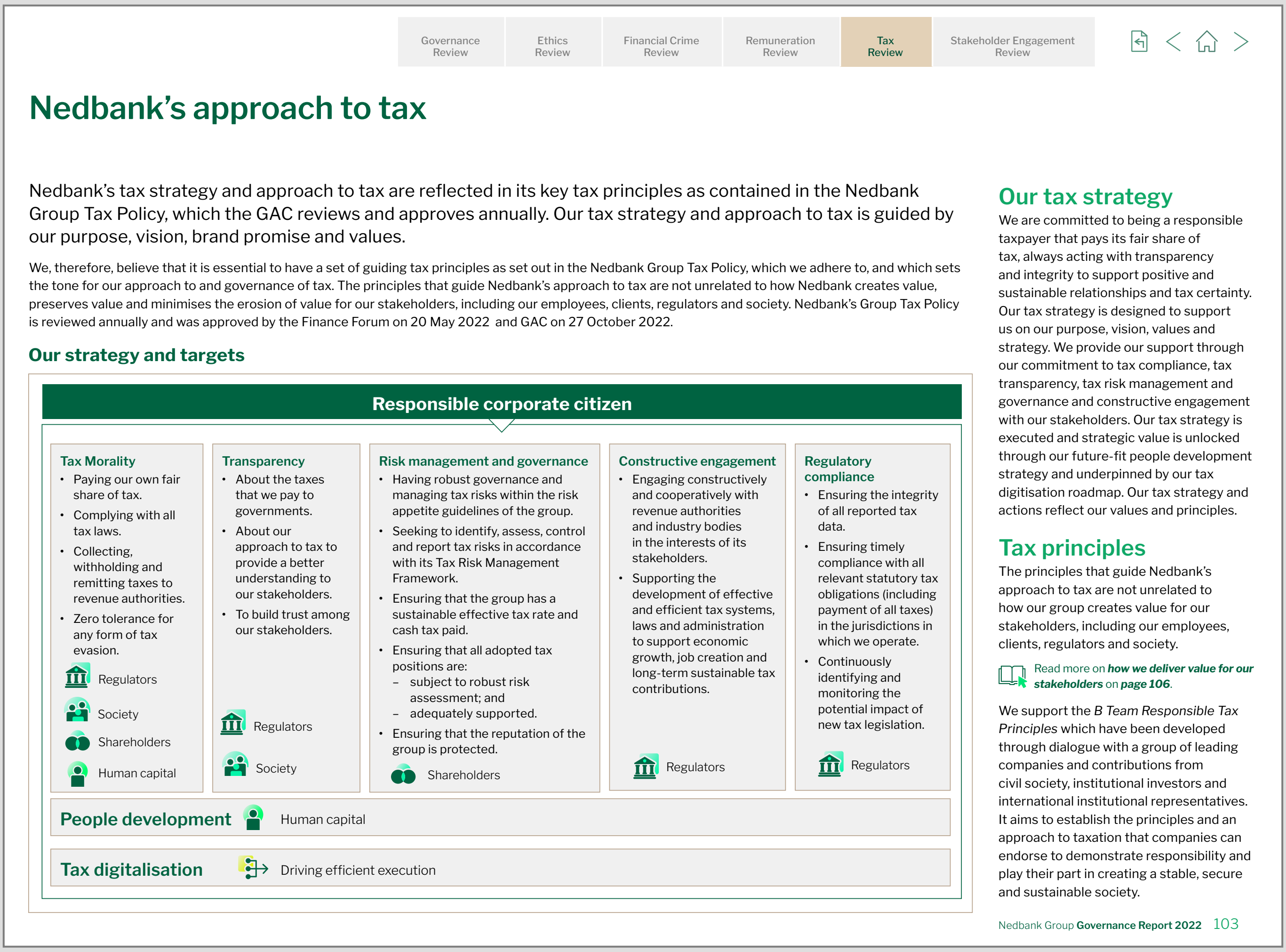
- A tax strategy should support and be consistent with an organisation's wider business objectives and how this supports its sustainability goals, clearly reflecting the expectations of stakeholders.
- The implementation of a robust tax strategy should involve not only the tax function but also executive leadership and other key functions within the organisation. This helps to guarantee that the tax strategy is effectively executed to prevent the possibility of overlooking tax matters that could have substantial implications for various aspects of a business. By factoring in tax upfront, the tax discussion can be a catalyst for, or rather a consequence of, strategic business decisions.
- The tax strategy is founded on a well-defined vision of the direction in which the tax function is going, supported by a set of key priorities or principles to help the tax function realise their goals and objectives. The strategy should also incorporate a clear definition of the tax function's mandate, outlining its areas of accountability and responsibility.

A sustainable tax strategy is:

- a responsible approach to tax
- aligned to business strategy, vision and mission
- aimed to achieve sustained value creation for all stakeholders
- embedded in the business – strong and consistent support and commitment
- a clear mandate on tax matters
- clear on key tax principles
- approved and reviewed by governance body

How can you report?

The business can report its tax strategy by linking its tax objectives and key tax principles to its business strategy and approach to sustainability. It should be clear that the tax strategy contributes to value creation over time and that it is aligned with the purpose, vision and values of the organisation. It is also important to report which governance body in the organisation approves and reviews the tax strategy, as demonstrated in the example below:



Governance Review | Ethics Review | Financial Crime Review | Remuneration Review | Tax Review | Stakeholder Engagement Review

Nedbank's approach to tax

Nedbank's tax strategy and approach to tax are reflected in its key tax principles as contained in the Nedbank Group Tax Policy, which the GAC reviews and approves annually. Our tax strategy and approach to tax is guided by our purpose, vision, brand promise and values.

We, therefore, believe that it is essential to have a set of guiding tax principles as set out in the Nedbank Group Tax Policy, which we adhere to, and which sets the tone for our approach to and governance of tax. The principles that guide Nedbank's approach to tax are not unrelated to how Nedbank creates value, preserves value and minimises the erosion of value for our stakeholders, including our employees, clients, regulators and society. Nedbank's Group Tax Policy is reviewed annually and was approved by the Finance Forum on 20 May 2022 and GAC on 27 October 2022.

Our strategy and targets

Responsible corporate citizen

Tax Morality
- Paying our own fair share of tax.
- Complying with all tax laws.
- Collecting, withholding and remitting taxes to revenue authorities.
- Zero tolerance for any form of tax evasion.

Regulators
Society
Shareholders
Human capital

Transparency
- About the taxes that we pay to governments.
- About our approach to tax to provide a better understanding to our stakeholders.
- To build trust among our stakeholders.

Regulators
Society

Risk management and governance
- Having robust governance and managing tax risks within the risk appetite guidelines of the group.
- Seeking to identify, assess, control and report tax risks in accordance with its Tax Risk Management Framework.
- Ensuring that the group has a sustainable effective tax rate and cash tax paid.
- Ensuring that all adopted tax positions are:
  - subject to robust risk assessment; and
  - adequately supported.
- Ensuring that the reputation of the group is protected.

Shareholders

Constructive engagement
- Engaging constructively and cooperatively with revenue authorities and industry bodies in the interests of its stakeholders.
- Supporting the development of effective and efficient tax systems, laws and administration to support economic growth, job creation and long-term sustainable tax contributions.

Regulators

Regulatory compliance
- Ensuring the integrity of all reported tax data.
- Ensuring timely compliance with all relevant statutory tax obligations (including payment of all taxes) in the jurisdictions in which we operate.
- Continuously identifying and monitoring the potential impact of new tax legislation.

Regulators

People development Human capital

Tax digitalisation Driving efficient execution

Our tax strategy

We are committed to being a responsible taxpayer that pays its fair share of tax, always acting with transparency and integrity to support positive and sustainable relationships and tax certainty. Our tax strategy is designed to support us on our purpose, vision, values and strategy. We provide our support through our commitment to tax compliance, tax transparency, tax risk management and governance and constructive engagement with our stakeholders. Our tax strategy is executed and strategic value is unlocked through our future-fit people development strategy and underpinned by our tax digitisation roadmap. Our tax strategy and actions reflect our values and principles.

Tax principles

The principles that guide Nedbank's approach to tax are not unrelated to how our group creates value for our stakeholders, including our employees, clients, regulators and society.

Read more on ***how we deliver value for our stakeholders*** on ***page 106***.

We support the *B Team Responsible Tax Principles* which have been developed through dialogue with a group of leading companies and contributions from civil society, institutional investors and international institutional representatives. It aims to establish the principles and an approach to taxation that companies can endorse to demonstrate responsibility and play their part in creating a stable, secure and sustainable society.

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Governance Review | Ethics Review | Financial Crime Review | Remuneration Review | **Tax Review** | Stakeholder Engagement Review

Nedbank's approach to tax continued

The six key tax principles that guide our actions are as follows:

1 Responsible corporate citizen

As a responsible corporate citizen and taxpayer, we are committed to –

being a responsible taxpayer that pays its fair share of tax within industry norms, acting with integrity when engaging with revenue authorities to support positive and sustainable relationships and, for the purposes of obtaining certainty of its tax positions, engaging with revenue authorities regarding the application of the tax law and identifying and resolving disagreements with the revenue authorities promptly.

2 Transparency

We are committed to –

being transparent about the taxes that we pay to governments and the approach to tax to provide a better understanding to all stakeholders, manage their expectations and build trust among all stakeholders.

3 Risk management and governance

We are committed to –

having strong governance, managing tax risks within the risk appetite guidelines of the group; seeking to identify, assess, control and report tax risks in accordance with our Tax Risk Management Framework; ensuring that the group has a sustainable effective tax rate and cash tax paid; ensuring that all adopted tax positions are subject to robust risk assessment and adequately supported; and ensuring that the reputation of the group is protected.

4 Constructive engagement

We are committed to –

engaging constructively and cooperatively with revenue authorities and industry bodies in the interests of our stakeholders and supporting the development of effective and efficient tax systems, laws and administration to support economic growth, job creation and long-term sustainable tax contributions.

5 Regulatory compliance

We are committed to –

ensuring the integrity of all reported tax data and timely compliance with all relevant statutory tax obligations (including payment of all taxes) in the jurisdictions in which we operate, and continuously identifying and monitoring the potential impact of new tax legislation.

6 People development

We are committed to –

developing highly qualified tax professionals, with digital and analytical skills as part of a leading tax function.

Our approach to developing our people

To provide expert advice, strategic framework and practices on regulatory compliance, tax risk and business tax management across Nedbank.

Enhancing team effectiveness

- Specific focused development plans
- Multi skilled and diverse team
- Embedding a collaborative culture that fosters accountability and innovation
- Clear goals and purpose-driven performance underpinned by inclusive behaviours and values
- Upskilling to be the tax function of the future
- Trusted partner in customer service and value creation

Human capital

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Tax and sustainability

Creating value in a sustainable manner through our strategy:
Nedbank is aware that it, alongside its stakeholders, operates in a nested, interdependent system. This means that for our business to succeed, we need a thriving economy, a well-functioning society and a healthy environment. The tax that we pay is an important part of the wider economic, social, and environmental impact and plays a key role in the development of the jurisdictions in which we operate.

We ensure that all the tax implications of our sustainable-finance solutions and investments are considered from both an organisational and client perspective and are aligned to our tax strategy and tax principles.

Our responsible tax strategy and the tax that we contribute in the jurisdictions in which we operate fund critical infrastructure to support our SDG commitments.

Refer to our ***economic contribution of taxes paid*** on ***page 119*** below.

Source: Nedbank Group Governance Report 2022, page 103 – 105

Tax risk management

Output: A consistent approach to the identification and management of tax risk to support reliable and quick decision making.

Key considerations

- To maximise stakeholder value, the tax function must effectively identify and manage tax risks. This involves providing insights for strategic decisions, facilitating decision-making without hindering daily operations and establishing clear links between business decisions and tax risk drivers.

The tax function should:

- Manage tax risk through policies, defining risk appetite, ensuring effective lines of defence, formalising roles and accepting accountability.
- Apply the enterprise risk framework to identify, monitor and communicate tax impacts.
- Regularly understand, document and test tax controls for a secure framework.
- Report significant tax risks and disputes to oversight bodies regularly for governance and assurance in line with approved group policies.

How can you report?

The tax strategy is usually supported by a code of conduct, policies, controls and procedures across the end-to-end processes as they adapt and change to facilitate decision-making, mitigate risk and report risk. These initiatives can be reported on as part of the broader framework to govern tax, with examples taken from the tax practices in the business and illustrated through diagrams and narratives, as demonstrated in the example below:

Our clearly defined tax governance framework

Vodacom is committed to the highest standards of business integrity, ethics and professionalism as advocated by King IV[1] and exercises ethical and effective leadership.

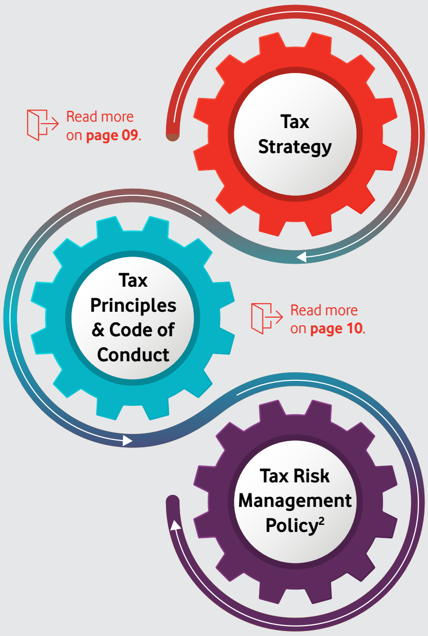
The Vodacom Board has delegated the tax governance responsibility through the Vodacom Group Audit Risk and Compliance Committee ("ARCC") to the Group CFO.

We operate within a clearly defined Tax Governance Framework, which aligns with the group risk management principles. It is designed to provide certainty for all stakeholders with an interest in our tax affairs.

At Vodacom we believe a strong tax governance framework leverages the tax function as a true strategic business partner, actively involved in the identification and implementation of requirements and regularly collaborating with compliance teams and affected lines of business across the organisation.

Our Managing Executive: Group Tax leads a team of in-house tax specialists, with a combination of accounting, tax and legal qualifications. The tax function comprises specialists in direct and indirect taxes, international taxes, transfer pricing, tax compliance and reporting. At an legal entity level, in each country in which we operate, we have local tax teams with the required local knowledge and qualifications that supports the local Chief Financial Officer and the Managing Executive Group: Tax. External tax advisors are consulted to support Vodacom's tax positions. We know that change is inevitable and therefore we invest in the upskilling of our tax workforce and leverage technology to achieve sustainable value.

Our tax governance framework includes:



Our Tax Strategy is underpinned by our Tax Principles and our Tax Code of Conduct. The Tax Strategy is also supported by our Tax Risk Management Policy that is aligned to that of our majority shareholder, Vodafone Group Plc.

Our tax governance framework applies to all our operating subsidiaries and we encourage our joint ventures and associates to follow similar principles to those we have outlined below.

- Vodacom has a mature Group Risk Management Framework that is aligned with the ISO 31000 International Risk Management Standard and the requirements of King IV[1]. This framework guides our risk identification process and provides Vodacom's Board ("Board") and the Exco with a detailed assessment of all principal risks to our business. Taxation matters is one of the principal risks identified and a key focus area for the Board as reported in the integrated report.

  Refer to our principle risks and associated opportunities in the integrated report.

- Vodacom has a board endorsed and group-wide implemented tax control framework, with standard tax operating procedures, and roles and responsibilities for tax risk management assigned and embedded at an executive, managerial and operational level. which includes the principles and procedure to identify, assess, communicate, and manage tax risk. Detailed guidance is provided to all employees assigned with these responsibilities.
- All major tax positions taken are subject to a robust risk assessment, based on clearly defined parameters and subsequent decisions are reviewed by executive management and reported to the Vodacom Audit, Risk and Compliance Committee ('ARCC') of which the Managing Executive: Group Tax is a permanent member.
- Regular summarised progress updates are reported to the ARCC of the Board. The report includes details on (but are not limited to):
  - Ongoing tax audits, enquiries, and disputes with tax authorities.
  - Risk mitigation procedures and the effectiveness of key tax controls across our markets.
  - Trending tax reforms.
  - External tax assurances on positions taken where tax laws are unclear and subject to a broad range of interpretations
  - Key tax highlights for the applicable financial year impacting Vodacom's value creation.
- The ARCC escalate issues to the Vodacom Board and Vodafone Group Board where appropriate.
- The Vodacom Tax Risk Committee and Tax Risk Management Function assists the Group Risk Management Committee with tax risk management through tax assurance and review of the effectiveness of the tax control framework and transparent tax reporting to the Board.
- Vodacom operates a whistle-blowing mechanism called 'Speak Up' for all employees and third parties. It is the duty of our suppliers, contractors, business partners and employees to report any breach of the Code of Conduct, including anti-bribery.

Refer to the Anti-Bribery Policy Standard and Procedure **here**.

For more details on the Board members, with the role of ethical leadership and sound judgment, which extends to our tax strategy, refer to **page 92** of the integrated report.

1. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.
2. Publicly available at Microsoft Word – Global Policy Tax Risk Management – Public 2022 (vodafone.com).

08 **Vodacom Group Limited** Tax transparency report for the year ended 31 March 2022

Our tax code of conduct

The tax code of conduct is a key component of the Vodacom Tax Governance Framework and it endeavours to guide the role of tax professionals within Vodacom, their key responsibilities in respect of tax, their professional conduct and their approach to working relationships with external parties.

Vodacom tax professionals aim to effectively manage tax risk by application of the principles set out in the Tax Risk Management Policy. This is achieved by:

- Observing all applicable tax laws, rules and regulations and disclosure requirements.
- Applying diligent professional care and judgement to arrive at well-reasoned conclusions.
- Acting with integrity in all tax matters and always being compliant with all anti-bribery legislation .
- Ensuring all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved.
- Operating under a policy of transparency while seeking to develop and foster good working relationships with tax authorities, government bodies and other related third parties.
- Undertaking all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner.
- Lobbying and seeking to influence applicable industry bodies or associations, governments and other external local and international bodies where possible and appropriate to shape future tax legislation, tax policy and prevailng practice in ways that balance the Group's interest (e.g. consistency, certainty, competitiveness) with those of the relevant authority or society.

Our tax risk appetite

- The commercial needs of Vodacom are paramount, and the Tax Function will work with the business as an equal partner in providing clear, timely and relevant business focused advice across all aspects of tax. Where alternative routes exist to achieve the same commercial results, the most tax efficient approach in compliance with all relevant laws are recommended.
- Vodacom follows "the more likely than not" principle for making decisions on tax matters. This approach is aligned with Vodafone's tax risk appetite. When concluding on the tax treatment of a transaction, we would not undertake it unless it is at least more likely than not that our proposed treatment would stand up to examination by tax authorities.
- The prominence of the commercial needs will in no circumstances override compliance with all applicable laws. The tax function will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences. All such tax support will be given in the context of the Tax function being an enabler, not a gatekeeper, willing to accept uncertainty and risk in line with our approved appetite for risk. In addition to these rules Vodacom has a Tax Code of Conduct that sets out the standards of professional conduct that we expect from each one of our Tax function employees.
- Vodacom believes its obligation is to pay the amount of tax legally due in any territory, in accordance with the rules set out by governments. Nevertheless, we recognise that in certain aspects of tax law there can be ambiguity about the application, which can lead to differing interpretations by taxpayers and tax authorities and which result in tax disputes. Vodacom aims to prevent unnecessary tax disputes however we recognise that, in order to achieve our key objective of enhancing shareholder and customer value, disputes are sometimes unavoidable. Prevention of unnecessary disputes is desired and appropriate and best achieved through thorough documentation of the facts; strong technical and clearly explained tax positions for ambiguous areas of tax laws applicable to the Vodacom operations; and world-class compliance procedures to ensure accurate and complete tax reporting and filing for all taxes.

Source: Vodacom Tax Transparency Report 2022, page 8 and 11

Keep in mind that reporting is never a "tick-the-box" exercise but rather an opportunity to assess and communicate how these tax risk management initiatives are embedded and applied in the business. For example, taxes have a direct financial impact on businesses from sustainability-related matters, such as carbon border adjustment mechanisms and transfer pricing adjustments arising from changes in the business model to meet net zero commitments and make the supply chain more environmentally friendly. Businesses need to be able to assess the tax implications of supply chain sustainability changes, such as the allocation of costs and benefits, the valuation of intangible assets and the potential exposure to double taxation or tax disputes. Is tax part of the decision-making process, or is tax risk assessed in respect of these matters?

Tax operations

Output: A clear tax operating model ensuring consistent delivery of high-quality services to the business

The tax leader's ever-expanding agenda includes talent shortages, digital transformation, economic and geopolitical uncertainties, an evolving tax policy landscape, increased sustainability requirements and societal expectations. To remain effective and relevant, tax operations are exploring innovative approaches to leverage and enhance their workforce, introduce improvements to their operations and collaborate with external entities to stay ahead of the curve.

> One of the key findings from our Global CEO Survey is that there are enormous perceived inefficiencies across a range of their companies' routine activities, everything from decision-making, meetings, to emails, viewing roughly 40% of the time spent on these tasks as inefficient.

When considering tax operations, the focus is generally on the need to lower expenses and improve efficiency, as well as responding to significant legislative changes. However, it's not solely about reacting to external demands. An exploration into the inner workings of the tax function can provide valuable insights into resolving the daily challenges faced by tax function employees. Addressing such matters results in individuals who are more content and driven, leading to enhanced performance and increased contributions. Activating your tax talent can be an area of immense value creation for your organisation. By injecting tax into strategic business planning, the tax department can enable enhanced returns and ensure that business outcomes are appropriately measured on an after-tax basis.

People considerations

Professionals in the tax field, whether they work in-house or are outsourced, will require a distinct skill set in various domains including data analytics, risk and governance, technology and operations.

- Tax leaders and specialists need a specific skill set beyond tax-related expertise.
- Additional upskilling is essential for understanding evolving requirements and adapting to technological changes.
- Teams should prioritise both technical and soft skills, fostering effective business partnering and stakeholder management.
- Continuity and succession planning are crucial for building and maintaining a strong team.
- Strategies like outsourcing, co-sourcing and collaboration with other functions help tackle talent challenges and enhance organisational value.
- Strategic location of personnel ensures tax efficiency and operational execution.

Findings from our CEO Survey suggest that it's critical to build alignment between leaders and employees around priorities for change and to build a culture of trust so employees feel safe to propose better ways of doing things. Start by identifying gaps between the views of leaders and workers. Consider citizen-led innovation, an approach that helps employees build skills and apply them right away. Also, redesign career paths around skills, not jobs, so employees have more agency and opportunity as jobs change.

Process considerations

In today's business landscape, it is crucial for the tax function to be integrated into every stage of the business lifecycle to avoid any unexpected tax-related issues. Therefore, it is crucial to establish structured procedures and guidelines for incorporating tax considerations into business decisions. Documentation of processes facilitates consistency of execution and a smoother internal and external financial and tax audit process.

- Establish structured procedures, including documentation, for incorporating tax considerations into decisions.
- Define the scope and responsibilities of the tax department, covering risk management, compliance, technical support, governance and reporting.
- Simplify and optimise compliance processes for transparency and efficiency.
- Identify and propose improvements, explore technology enhancements and enhance readiness for discussions on tax significance.
- Implement a comprehensive tax risk management approach, incorporating controls into business processes and conducting regular testing.

Exploring alternative processes for delivering on tax:

There are now many different delivery alternatives available that give companies a flexible and scalable solution to handle the growing workload associated with tax management, reporting and compliance. Effective implementation strategies include captive shared services, third-party co-sourcing or outsourcing, and execution managed services. In addition to increasing productivity and decreasing fixed expenses, the outcomes would enable the remaining in-house teams to devote more time to business analysis and support. Additional significant benefits of these alternative delivery options include the capacity to adapt to changes in tax regulations and the financial resources to continue investing in cutting-edge technology.

Data considerations

Having a clear understanding of data requirements from the start is crucial for ensuring that you have the necessary information in the appropriate format to fulfil increasing reporting and compliance obligations and ensure that numbers published confidently and consistently reflect the day-to-day reality. We're witnessing a growing trend among tax functions to prioritise the essentials, such as centralised data platforms. These platforms have the potential to provide you with easy access to crucial analytical capabilities.

What is important –

- **Foundation:** Establish a single source of truth with well-defined parameters for structured data collection.
- **Data Collection:** Implement systematic processes for consistent and methodical data gathering, supported by data governance frameworks and controls like validation.
- **Activate Data:** Prepare data for filing across jurisdictions and tax requirements, transforming it from accounting records to active compliance.
- **Reporting:** Craft a compelling narrative alongside data, considering stakeholder interpretations, consistency and identifying potential risks.
- **Tax Data as a Resource:** Leverage visualisation tools for risk identification, intelligible presentation to management and generating business insights. Recognise tax data's potential for effective business planning.

Case in point: Sustainability data collection and monitoring

Typically, the tax function does not pay much attention to environmental levies. However, the tax function will probably end up handling the administration of these taxes due to the rise in tax audits in this area. Therefore, to fulfill this responsibility, tax functions must make sure they have access to the necessary data. They need to have control, transparent procedures, and high-quality data in place to ensure proper reporting.

Technology considerations

For effective support of the organisation's business plan, tax functions must strategically decide on technology tools and systems.

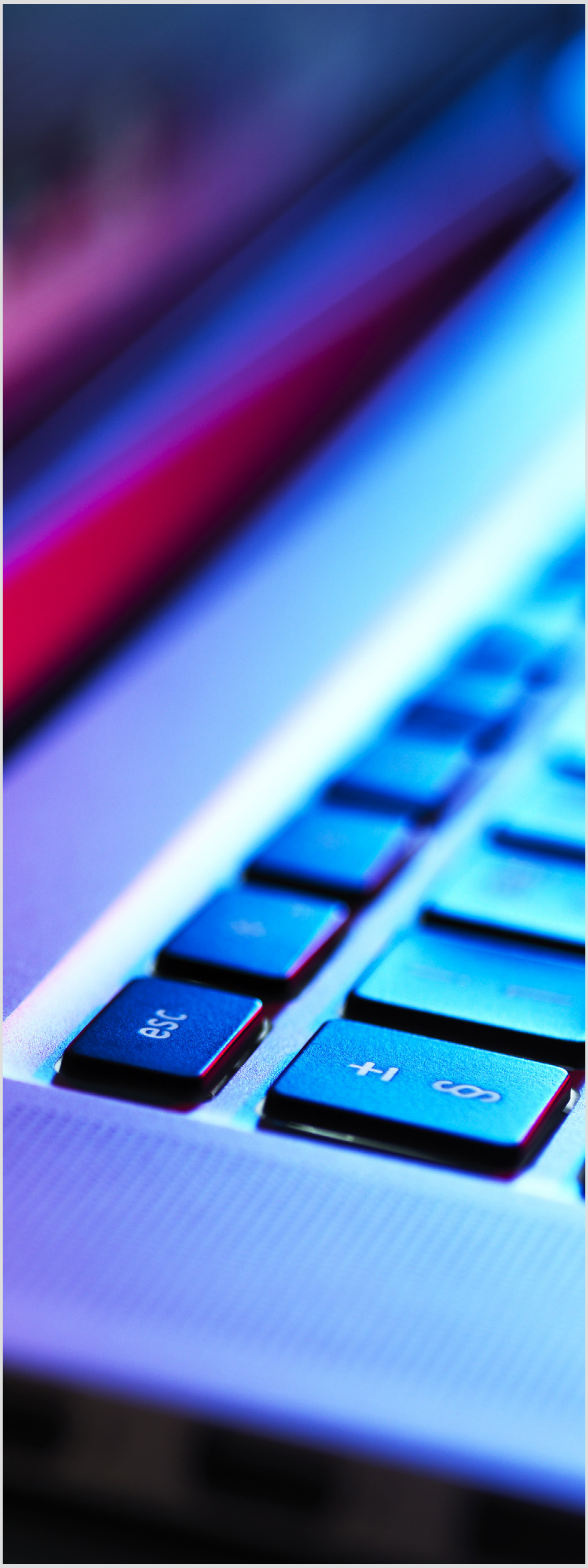
As tax authorities increasingly use AI and data analytics, businesses should prioritise digital audit trails, data quality, and secure AI implementation.

A well-considered approach to technology can enhance tax content generation, document processing and provide valuable insights, helping meet growing reporting demands and new tax reform requirements.

- Tax authorities are preparing for increased digital capabilities, prompting taxpayers to enhance their tax function's digital skills.
- Utilising enterprise architecture for data sourcing and reporting, integrating technology-driven risk controls and leveraging tools for managing and visualising data quality are key strategies.
- Decisions on in-house development, outright purchase or co-sourcing/outsourcing must be made, considering ownership and maintenance.
- Smart technology solutions like AI enhance strategic value without diminishing tax professionals' expertise.
- Organisations should recognise the need for a tailored approach, combining various tools and solutions.

Create value beyond the return:

For many companies, embracing technological advancements will be an essential transformation. Considering the rapid changes in the global tax landscape, it seems highly improbable for companies to handle the workload of various tax reforms and reporting requirements without utilising technology to automate a significant portion of the compliance process. The progress of technology adoption in the tax sector has been slow in the past, primarily due to the challenge of proving the value of automation in terms of return on investment. However, with the increasing demands of regulations, the focus has shifted. It is no longer just about the return on investment – but rather the consequences of not making investments.



How can you report?

Typically, we see organisations structured through segments and business areas – the legal structure based on separate companies that include subsidiaries, associated companies and joint ventures. The tax operations need to be optimised to wade through the complexity of day-to-day business and connect the dots to determine the tax consequences and meet statutory obligations. The business can report on innovative approaches and processes, projects, programs and initiatives that support adherence to the approach to tax and the execution of its tax strategy as demonstrated in the example below:

Performance management

Exxaro undertakes the following performance management initiatives:

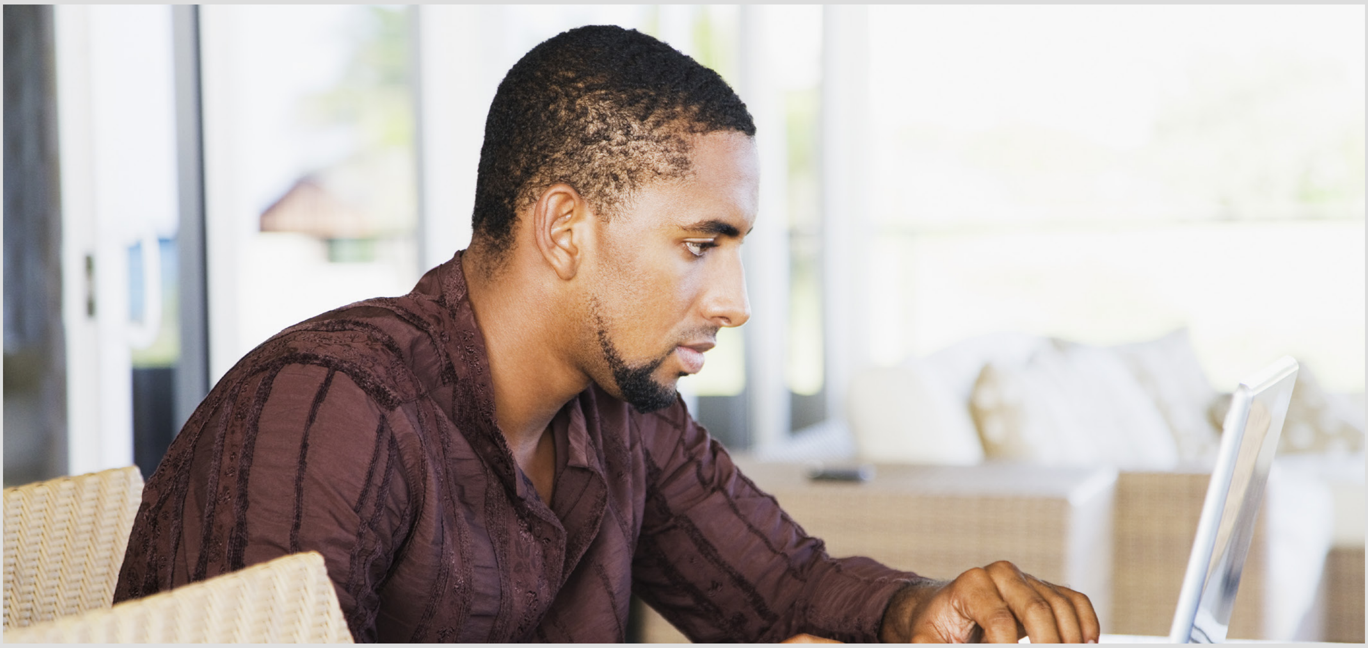
- **The group tax manager consults Exxaro's recruitment policies to ensure employees are qualified with the necessary skills and experience for each tax function role and its responsibilities**
- **Exxaro invests in training and formal postgraduate studies, and employees regularly attend courses and seminars**
- **Formal development programmes are in place for tax employees**
- **Personal performance appraisals assess employees' commitment to risk management**
- **Bonus and share option schemes retain tax function employees with rewards for excellent performance, and non-performance is addressed by Exxaro's human resources business unit**

Tax digitalisation

Robotic process automation (RPA) and artificial intelligence assist Exxaro's tax function to become a valued strategic partner by improving efficiency and effectiveness. RPA eliminates repetitive, time-consuming manual tasks and mitigates tax risks. The following digital automation projects have been approved and are in different stages of implementation:

Project	Status
Automation of VAT apportionment calculations	• Completed and implemented
Automation of data extraction from e-filing	• Completed and implemented
Monitoring dashboard on tax compliance and administration	• Implementation expected early in the 2023 financial year
Automation of IT14SD returns	• Project stopped since SARS discontinued the return

Source: Exxaro Tax Report 2022, page 6



Performance management and assurance

Output: A formalised methodology to review performance and obtain assurance that the framework to govern tax is operating effectively

Key considerations

KPI's for tax

- Set responsible KPIs and identify the key factors that will be measured in determining what success looks like.
- Traditional discussions of performance and accounting often focus on past events. They quantify, report and assure what has already occurred, with various levels of detail and amounts of controls. But strategic CFOs and Heads of Tax in an era defined by building trust, sustainability and ethical practices, must also look forward. They must be able to distil, from myriad compliance and performance measures, the relative few that will have the most material impact on a company's tax strategy, key objectives and principles, and how they align with stakeholders' expectations.

Understanding key success factors for tax:

Tax risk management, efficiencies, effectiveness and sustainability have become more important than reducing or optimising the tax burden. Without a high-level view of what is important – key success factors, it is difficult for tax functions to establish the right objectives to achieve and to convey value within the organisation.

Deliver business value

- The C-Suite and the Board, as well as leadership across jurisdictions and segments, should have a comprehensive understanding of the tax risks throughout the organisation, including within business processes. This includes a clear understanding of how transformation can contribute to improving tax governance and risk management throughout the organisation.
- Integration between the tax function and the larger business is a frequently mentioned challenge for the tax function. Collaboration and cooperation at an executive and operational level in real time are needed to actively involve the tax function.
- The tax function has the ability to influence and impact positive change across the organisation's value chain by educating, supporting, presenting its initiatives and collaborating with leadership across functions.

Report unethical conduct

- A core behaviour of corporate governance is fostering an environment where individuals feel encouraged to report unethical or unlawful behaviour without worrying about facing any negative consequences. A publicly available company code of ethics should facilitate this process, supported by legal protection for the individuals involved. An avenue should be provided by the audit committee, an ethics committee or an equivalent body for stakeholders to confidentially report any concerns regarding unethical or illegal behaviour that could potentially undermine the integrity of financial statements.
- An organisation should also offer resources for stakeholders to seek guidance on ethical and legal conduct as it relates to the organisation's tax practices and how to raise any concerns regarding these issues. It can involve raising concerns through line management, reporting mechanisms and hotlines.

Monitor and test

- Conduct ongoing verification to assess the effectiveness of the tax governance framework and integrate these activities into the organisation's assurance program.
- Internal assurance teams often lack the required skills for reviewing the tax governance framework, requiring external service providers to assist in designing effective monitoring and testing procedures to address potential and actual exposures.
- Assurance findings should be recorded, reported and remediated where required. Action tracking will apply equally to those findings.
- All monitoring processes are optimised to support stakeholder wishes and demands.

How can you report?

When talking about the performance management and assurance in line with the framework to govern tax, the business can outline the process and related responsibilities for monitoring, testing and maintaining the framework as demonstrated in the example below.

Furthermore reporters can consider to provide reference to mechanisms used for reporting concerns about unethical or unlawful behaviour and the organisation's integrity in relation to tax.

ASSURANCE OF TAX DISCLOSURES

The respective finance teams led by their CFOs are responsible for ensuring that the tax risk management and transfer pricing policies are appropriately adopted and applied to business operations. In addition, they oversee the implementation of effective compliance relating to tax reporting as required by legislation.

Each CFO is required to provide an attestation on tax to support the tax disclosures in the Annual Financial Statements, which includes (among others):

- Confirmation of adherence to Discovery's Tax Policy and Risk Management framework
- Confirmation of compliance with the relevant taxation requirements of all countries in which they have oversight and that we have brought to account all liabilities for taxation due to the relevant tax authorities, whether in respect of any corporation or other direct or indirect taxes
- Confirmation that they are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest; alternatively, if there has been an incident, confirmation that these values have been correctly provided and, where applicable, disclosed in the financial statements
- Confirmation that the systems in place are capable of identifying all material tax liabilities and the appropriate documentation and record keeping as required under the law of each country has been maintained
- Confirmation that all returns and payments that were required to be made, within the applicable time limits, to the relevant tax authorities have been made
- Confirmation that in managing the tax affairs of the company, they have taken into account any special provisions such as transfer pricing and controlled foreign company legislation applied in different tax jurisdictions
- Confirmation that deferred tax assets have been recognised for the carry-forward of unused tax losses and unused tax credits in accordance with the requirements of IAS 12: Income Taxes.

EVALUATION OF TAX GOVERNANCE AND TAX RISK MANAGEMENT

Group Internal Audit perform annual assessments on the tax control environment.

Tax risks are monitored by finance teams, Group Tax and in-country tax specialists. Potential financial consequences associated with these risks are evaluated in terms of IFRS reporting requirements. Any material tax risks are reported through to Discovery's Group Risk Management team who evaluate and monitor the ongoing risk as part of the Group's wider Enterprise Risk Management Framework.

UNCERTAIN TAX POSITIONS AND CONTROVERSIES

Uncertain tax positions arise when there is uncertainty over whether the relevant tax authority will accept the income tax treatment as submitted per the income tax return. For example, whether the tax authority would accept the treatment of an item as capital in nature or whether it will permit the deduction of certain expenditure.

Discovery considers IFRIC 23: Uncertainty over Income Tax Treatments to assess the disclosure, recognition, and measurement of "uncertain tax positions" in its Annual Financial Statements.

Discovery Tax Transparency Report 2022

Source: Discovery Tax Transparency Report 2022, page 10

Armed with a better understanding of the construct of a framework to govern tax, as well as the opportunities associated with meaningful engagement between tax and business, it is critical to build alignment between heads of tax and their executives around priorities for change. Actual progress will come when these role-players undertake meaningful initiatives to evolve the way they create, deliver and capture value. The right framework to govern tax for each company will differ, of course, depending on its strategy, operating model, industry context and competitive landscape. A mindset change and management challenges involved are sometimes significant. There is a broad range of initiatives to consider – and apply them in combination (for example, investing in service partnerships to close operating-model capability gaps and keep pace with technology advancement). However, getting it right or starting to move in the right direction allows companies to construct a credible and necessary narrative on their approach to tax and contribution to society, ensuring that what is reported is reliable, accurate, consistent and in context.

The tax transparency timeline

Converging with global and local corporate reporting and sustainability disclosure standards and guidelines

In our previous report we discussed the requirements of many of the standard setters as well as the global guidance available to determine how to transparently report on taxes. The timeline of tax transparency initiatives is a consistent reminder that the development and standardisation of reporting metrics and guidance is far from over.

Diagram 2: A timeline of tax transparency

Guidelines, standards or regulations originating in South Africa

2003

EITI

Transparency initiative for the extractive sector

2007

King IV Code ™

Corporate governance principles including the adoption of responsible tax policies and practices.

2010

US Dodd Frank Act

Extractive industry proposal to report all payments made to governments

2013

EU Accounting Directive

EU Accounting Directive – payments to government for extractive sector

2014

CRD IV

EU transparency initiatives for banks and capital markets

2015

OECD BEPS

Introduced as a way to stop MNCs exploiting mismatches between different countries' tax systems – introduces CbCR disclosure to governments

ATO tax principles

Australian tax authority introduces a set of minimum standards to guide on public disclosure of tax information

2016

UK tax strategy

UK requirement to publish a tax strategy

SARS

Multinational groups with a total consolidated group turnover above R10 billion are required to adhere to the SA CbC Regulations

2018

The B Team

A group of leading companies came together to generate a set of tax principles

UN PRI

Investors' guide to corporate tax transparency

2019

GRI 207 tax standard

GRI developed a new standard on tax which includes approach to tax, stakeholder engagement, public country-by-country reporting and total tax contribution

2020

WEF metrics

International Business Council of the World Economic Forum includes a core metric of tax borne (paid); expanded metric includes tax collected inset of ESG metrics

2021

EU Public CbCR

EU agrees to new public CbCR reporting for large businesses operating in the EU. Effective 2024/25

IFRS

IFRS established the international Sustainability Standards Board at COP26

OECD Pillar 2

OECD reaches agreement on global minimum corporate income tax rate of 15%

US Bills introduced

Bicameral proposal legislation (two bills) for public CbCR

2022

JSE Sustainability Disclosure Guideance

Metrics for disclosure of tax strategy total tax contribution and other non-financial tax information

SEC proposed ESG rules

Disclosures of climate-related metrics, governance and management processes, and risk mitigation approach

Task-Force for Climate-Related Financial Disclosure

Climate standards finalised. UK becomes the first country to make compliance with the standards mandatory for both listed and large private companies.

Corporate Sustainability Reporting Directive (CSRD)

Established new rules for sustainability reporting

EU ETR

Expected requirement to publicly disclose ETRs ad determined for Pillar 2 purposes

2023

Australian Public CbCR

The Australian government proposes new public CbCR requirements for large companies operating in the country

Financial Accounting Standards Board (FASB)

New disclosure on income taxes.

International Sustainability Standards Board (ISSB)

Started a new era of sustainability-related disclosures by issuing its two inaugural standards.

What does this mean for South African companies

We often get asked "What is relevant for us?". This is a complex question but keep the following in mind:

1 Engage internally

2 Identify stakeholders

3 Consider aligning with peers

4 Consider your footprint and location

1

In the South African context, the first step to preparing a tax transparency report should be to engage with the sustainability team and the owners of the organisation's reporting suite to understand the key governance, regulatory and reporting frameworks[9] and align with what is on the horison.

These reports typically address the organisation's approach to value creation in the context of defined material matters for integrated and sustainability reporting, addressed through its purpose and strategy, informed by key relationships, principal risks and associated opportunities, governance practices, business model, etc.

2

Understand how your organisation engages with stakeholders, who these stakeholders are, whether additional stakeholders should be included for tax purposes and what it is that these stakeholders want to know.

For example, are you considering how investors evaluate your organisation's tax position – they may be utilising assessments performed by rating agencies[10] on information publicly available to understand more about a company's position on tax and related risks.

3

Although some South African businesses may opt to postpone tax reporting until it becomes mandatory, others are proactively addressing tax matters in a manner that goes above what is required by law. We are seeing companies using GRI 207: Tax 2019 (GRI 207)[11], the first worldwide public reporting standard for tax transparency, to empower them to provide effective and comparable disclosure of their tax practices.

Some companies endorse the B Team Responsible Tax Principles, which set out a responsible approach to tax and support stable, secure and sustainable communities. Companies also find guidance from the World Economic Forum (WEF) Metrics[12] and the JSE Sustainability Disclosure Guidance [13].

4

Global tax policy changes and legislation enacted in jurisdictions in which the organisation operates may have a direct impact on public tax reporting.

It is important to understand whether the organisation is impacted by these changes and whether a public reporting obligation arises.

Consider the major developments globally related to tax transparency discussed later in this report and how they apply to the organisation.

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9 e.g. International Financial Reporting Standards (IFRS); the Integrated Reporting Framework; King IV Report on Corporate Governance for South Africa, (King IV); the JSE Limited (JSE) Listings Requirements; JSE Sustainability Disclosure Guidance, the Global Reporting Initiative's Sustainability Reporting Standards, United Nations Global Compact (UNGC), UN Sustainable Development Goals (SDGs) etc.

10 E.g. S&P Global Sustainability Assessment, FTSE Russell ESG Ratings Tax Transparency Framework, MSCI ESG Ratings Methodology etc.

11 GRI 207: Tax 2019

12 Explore the Metrics > Measuring Stakeholder Capitalism | World Economic Forum

13 JSE's Sustainability and Climate Disclosure Guidance | Johannesburg Stock Exchange

Major developments globally related to tax transparency

As the world changes more and more rapidly, tax needs to be able to keep pace. More than 60% of the business leaders polled in our CEO Survey have indicated the regulatory environment as a factor inhibiting businesses from changing the way they create, deliver and capture value. Tax-related rules will be a big part of this. Legislation related to public CbCR as well as Pillar Two of the base erosion and profit shifting initiative (BEPS) – the OECD's Global Minimum Tax, for example – will create a whole new set of reporting challenges in different jurisdictions. Initiatives such as the EU Taxonomy and the EU Corporate Sustainability Reporting Directive (CSRD)[14], which implicitly or explicitly govern tax as a key component of sustainability requirements will have a significant impact on the scope, quality, and comparability of tax and sustainability reporting by companies operating in the EU. Other jurisdictions and frameworks may follow suit or develop their own approaches to enhance tax transparency and sustainability reporting in the future.

Public CbCR

Public CbCR will come into effect in most European Union (EU) countries in June 2024, following the implementation of the CSRD, which applies to both EU-based multinational enterprises (MNEs) and non-EU based MNEs doing business in the EU through a branch or subsidiary with total consolidated revenue of more than €750 million in each of the last two consecutive financial years. The information must be broken down for each EU Member State where the group is active and for each jurisdiction deemed non-cooperative by the EU or that has been on the EU's 'grey' list for a minimum of two years.

In all instances, the effect of the EU rules is that MNEs tax data will be public for the first time, and this level of enhanced disclosure and transparency of detailed data, including revenues and profit before tax, is expected to lead to increased scrutiny from a range of stakeholders – including investors, customers and the public at large. The extent of the required public disclosures is unprecedented for many companies, so careful consideration should be given to how CbCR data may be interpreted and, therefore, what additional voluntary disclosure may be required. CbCR is also central to the transitional safe harbour rules for Pillar Two, which rely on calculations based in part on CbCR data.

The scope of domestic legislation may, of course, be broader than what is defined in the directive. Countries such as Germany, Netherlands, Hungary, Spain, Finland, Sweden and Spain have passed local laws to implement public CbCR.

14 2022/2464 – EN – CSRD Directive – EUR-Lex

Public CbCR in Africa?

In September 2023 the United Nations High-level Dialogue on Financing for Development focused on the importance of mobilising taxes to support development efforts in Africa. Even amidst debates surrounding the disclosure of sensitive commercial data, potential risks to competitiveness, and potential compliance burdens for multinational corporations, African tax experts strongly support the implementation of public CbCR. This support is grounded in the significant advantages that transparency brings, which far surpass any associated costs.

EU CSRD

The Non-Financial Reporting Directive (NFRD) has required companies in EU Member States to publish non-financial statements since 2015. CSRD, which extends this obligation, was adopted in November 2021 and had to be implemented by national legislators within 18 months. The CSRD will apply to large capital market-oriented companies in 2024, followed by a staggered implementation for small and medium-sized companies until 2026.

CSRD is based on the principle of double materiality. In the public consultation on the CSRD, the topic of "taxes" ranked 5th out of 15 topic areas among respondents when asked what non-financial information companies should be required to disclose[15]. Tax is not specifically addressed in CSRD, but that does not mean that it is not relevant. CSRD is more than just a reporting requirement – it is a framework for impact, risks and opportunities of material issues in relation to sustainability.

Companies that report based on the CSRD should, in particular, carry out a double materiality assessment to determine which sustainability issues are most important to them and their stakeholders. For many companies, tax will be considered a material topic as part of the double materiality assessment, thereby triggering a reporting requirement under CSRD and GRI 207 can be used for the purposes of tax disclosures in sustainability statements.

15 Summary Report of the Public Consultation on the Review of the Non-Financial Reporting Directive

All companies that will have to report under the CSRD must also apply the EU Taxonomy. To be aligned with the EU Taxonomy 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 there are adequate tax risk management strategies in place.

US

On 14 December 2023, the Financial Accounting Standards Board (FASB) issued a final standard on improvements to income tax disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid disaggregated by jurisdiction. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions.

ASU 2023-09, Improvements to Income Tax Disclosures[16], applies to all entities subject to income taxes. For public business entities (PBEs), the new requirements will be effective for annual periods beginning after 15 December 2024.

For entities other than public business entities (non-PBEs), the requirements will be effective for annual periods beginning after 15 December 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted.

In early 2024 there were also discussions at the Senate Budget Committee noting favour for public CbCR for US listed MNO's[17].

Australia

Australia has published updated draft legislation that seeks to give effect to the Australian Government's proposal to require large multinationals to publicly disclose certain tax information on a CbC basis and a statement on their approach to taxation. This latest draft legislation responds to domestic and international stakeholder feedback and reflects the Government's previous announcement to refine the measure to more closely align with the European Union's public CbCR regime, including policy changes on the reporting threshold and approach to disaggregated reporting, and to also defer the start date by 12 months (to income years commencing on or after 1 July 2024).

Under the current draft, for a December balancing group, the year ending 31 December 2025 would be the first year subject to Australian public CBC reporting, with reporting due by 31 December 2026.

16 Accounting Standards Update 2023-09–Income Taxes (Topic 740)

17 Senate Hearing Outlines Need for Public Country-by-Country Reporting, Among other Tax Reforms

In conversation with William Eastwood and Osman Mollagee

Pillar Two – adding to the compliance and reporting burden

The so-called Two-Pillar solution constitutes a critical component of the OECD/G20 Inclusive Framework's comprehensive strategy to address base erosion and profit shifting (BEPS). As part of the second pillar of this solution, the Global Anti-Base Erosion (GloBE) rules seek to ensure that large groups pay a minimum level of tax on the income arising in each country where they operate. It mandates a global minimum effective tax rate (ETR) of 15% at a jurisdictional level and if a country's ETR is below 15%, a top-up tax will be collected from specified entities within the group.

The OECD estimates that around 36% of all global profits are currently taxed at below 15%, and that the roll-out of Pillar Two will reduce this by around 80%. Ultimately, that is, only 7% of global profits will be low-taxed, as a result of the global roll-out of Pillar Two.

Domestic legislation giving effect to the GloBE rules is already in force in many countries (from 2024), with several more countries in the process of finalising and enacting legislation to give effect to the rules over the coming months. Given that multinational groups are already working hard to fulfil existing reporting and compliance obligations, several questions have naturally arisen regarding potential additional obligations and processes related to Pillar Two.

What is Pillar Two[18]?

- Establishes a global framework of minimum taxation through use of an ETR calculated on a jurisdictional basis.
- Taxes paid on income or profits, as well as any taxes imposed in lieu of an income tax, are included in the ETR.
- Financial accounts of the parent are used to calculate the tax base and ETR at an entity level.
- An incremental tax liability (top up tax) arises when the ETR in a jurisdiction is below the agreed minimum rate.

Threshold and Scope

The application threshold is the same as that for the transfer pricing CbCR, i.e. global consolidated revenue of EUR750 million. As with the CbCR, the source data for the threshold is simply the consolidated financial statements for the group. A small difference is that, whereas the CbCR obligation depends on the immediately prior year's results, the Pillar Two rules require a review of the group's last two to four years.

Importantly, it should not be assumed that the groups at risk are mainly those with significant presence in traditionally low-taxed jurisdictions. The OECD's analysis indicates that high-tax jurisdictions account for around half of the low-taxed profits that are expected to be targeted by Pillar Two.

Compliance Obligations

In essence, the additional compliance obligation that Pillar Two brings is having to potentially complete one additional corporate income tax return for each entity in the group. On the one hand, this obligation is simplified by the fact that the format is, in principle, familiar to most finance teams (i.e. start with profit per the financial accounts and then make specified accounting-to-tax adjustments) and by the fact that the list of adjustments to be made is largely the same across the board in all territories. On the other hand, the prospect of the sheer volume of the returns and the question of extracting the data required for the adjustments are what make this a more daunting task.

Safe harbours

Safe harbour rules will, in some cases, limit the administrative and compliance costs of complying with the new regime and will allow more time to prepare for the compliance and reporting obligations. Qualifying for the safe harbour in a country reduces to zero the top-up tax for that jurisdiction and allows for a much-reduced disclosure in the information return for that jurisdiction. Importantly, the data sources for testing whether the transitional safe harbours could apply are far more accessible: the qualifying CbCR and financial statements.

18 Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two) – OECD

Transparency and public disclosure

At this stage, there is no expectation that the Pillar Two rules themselves will include disclosures in addition to, or outside of, the tax return processes with tax authorities. In the financial accounting rules, however, standards such as IAS 12 are already a consideration in how Pillar 2 taxes should be recognised and disclosed in the financial statements.

Internal Systems and Processes

There might not be an overwhelming overlap of actual data points to be extracted for Pillar Two compared to those from existing reporting obligations (such as CbCR), although there will be some. However, it is likely that the data extraction process for Pillar Two purposes should be largely similar to some of the existing processes. For example, initial experience is that it should be possible to extract the necessary Pillar Two using the same processes as those for the CbCR, even though, for example, they might be relevant for different time periods.

Tax departments may need to devote more time and energy to complying with tax reporting laws when Pillar Two is implemented. It's likely that additional resources and investments in technology will be needed.

Along with understanding the tax technical computation aspects (including, especially, transitional safe harbours), probably the most valuable preparation for Pillar Two, once an initial impact assessment has been carried out, is refining the process for data collection. It will be necessary for tax teams to collaborate with finance and technology teams to identify and extract the appropriate information used in determining the group's exposure to the Pillar Two rules.

Consideration will also need to be given to how critical messages are communicated to stakeholders.

William Eastwood, Partner – Corporate and International Tax

Osman Mollagee, Partner – Transfer Pricing and International Tax

Keep in mind:

CbCR tax data is insufficient for what is needed for the safe harbours and GloBE calculations and compliance. Nonetheless, because of the transitional safe harbour rules, CbCR will be central to determining whether top-up taxes arise. The role of CbCR will naturally transition beyond being a simple risk assessment tool for the tax authorities (as it was originally envisaged when introduced by the OECD) and, as a consequence, tax authorities may want to focus more substantially on it.

…stakeholders examining companies' tax affairs often solely focus on Corporate Income Tax (CIT), and it is the only tax required to be presented in CbCR disclosures under the EU public CbCR Directive and the OECD CbCR template. The global minimum tax rules under Pillar Two also focus on an effective minimum CIT rate, further strengthening the message that the amount of CIT borne by companies is a chief indicator of MNC's approach towards their tax affairs. That is why, unsurprisingly, the amount of CIT paid is constantly under intense scrutiny. However, there are also a number of global tax transparency developments which take a more holistic view of corporate tax affairs and, rather than focusing solely on CIT, encourage companies to develop a more responsible approach to tax and business as a whole.[19]

– European Business Tax Forum

19 Tax Transparency and Public Country-by-Country Reporting

Some challenging conversations

We asked our community of solvers to share their insights on questions that we frequently come across in discussions with our clients.

In conversation with Christie Viljoen

Increased tax compliance requires reciprocal trust between the public and private sector

The World Bank Global Economic Prospects (GEO) January 2024 report[20] warned that the fiscal policy space in emerging markets and developing economies "remains narrow amid weak revenues and rising debt-servicing costs. The crises of recent years – particularly the pandemic and the steep rise in living costs resulting partly from the invasion of Ukraine – have seen governments running up public debt and reprioritising spending away from investment towards shorter-term support for households and firms."

The World Bank also warned in January 2024 that elevated debt, tight financial conditions and tepid economic growth are putting pressure on fiscal sustainability, while increasing vulnerability to external financial shocks. In South Africa, fiscal revenues are under pressure, as evidenced by years of budget deficits and rising public debt. This, in turn, adds more challenges to public service delivery during a time of elevated socio-economic strain in the country.

To help steer this ship in the right direction, South African finance minister, Enoch Godongwana, said in November 2023 that, alongside other measures to stabilise public finances and reform the economy, South Africa's most effective way of improving government funding is through an efficient tax administration. The minister confirmed in the Budget Review 2024 that "Government's long-term tax policy strategy remains focused on broadening the tax base while improving tax compliance and administrative efficiency. The South African Revenue Service (SARS) will continue its focus on enforcing compliance in areas such as debt collection, fraud prevention, curbing illicit trade, voluntary disclosures, and encouraging honest taxpayers to comply voluntarily. PwC's Taxing Times Survey 2023 found that 8% of participants 'strongly agree' and 43% of participants 'agree' that it has become easier to comply with their tax obligations – a marginal majority of 51%. This is, however, a six-percentage point improvement from the 2022 results and indicates that a (small) majority of corporate respondents have a favourable view on the topic.

Still, despite making compliance easier, South Africa's tax gap (the difference between taxes legally owed and taxes actually collected) is estimated at R300bn (Collecting this would have almost erased the 2023/2024 fiscal deficit planned at R347bn) SARS requires high levels of transparency from corporate taxpayers on their approach to tax and their tax contributions in different jurisdictions in order to improve tax compliance and collections. At the same time, companies want to see the government use this tax money effectively to support their businesses and the country's socio-economic development.

However, the public sector is overwhelmed and stretched in every direction to cope with financial and other challenges. Not surprisingly, the state is unable to deliver the quantity and quality of services that it previously could, and fewer people are making use of public sector services. The latest Governance, Public Safety and Justice Survey[21] published by Statistics South Africa found that the South African population's use of public services declined across the board between 2019 and 2023. For example, the proportion of survey respondents making use of public transport in the 12 months prior to the poll declined from 43.4% in 2019 to 37.5% in 2023. Nonetheless, it is possible for South African companies to make a meaningful and sustainable impact on their communities by partnering with the government to help the state better use its resources to address socio-economic challenges.
To this end, PwC has been involved in the development of an alternative model to the traditional Public-Private Partnership (PPP) premised on an equal partnership basis, with the government and private sector providing shared funding and having shared control over the assets.

20 Global Economic Prospects
21 Governance, Public Safety, and Justice Survey GPSJS 2022/23

The public-private collaboration model supports the government in effectively using tax money to execute its mandate of public service delivery and also provides private entities with a social licence to operate.
The collaboration approach can find applications in water, sanitation, transport and energy infrastructure projects and allows the private sector to support the government in using available (tax) resources to the benefit of the broader economy.

To ensure transparency, strong governance structures and equal participation by both the public and private sector parties, an independent execution body with representation of all partners to the model is set in place with appropriate governance structures. Collaboration and strong relationships, combined with a focus on community needs, are key for the successful roll-out of public-private infrastructure and associated socio-economic development programs and, inter alia, the transparent usage of taxpayer money for the benefit of South Africans.

Contribution by Dr Christie Viljoen, Senior Manager and Economist

In conversation with Elle-Sarah Rossato, and Jadyne Devnarain Transparency and economic growth – a collaborative relationship

When describing how its approach to tax is linked to its sustainable development strategy, an organisation can explain how it considered the economic and social impacts of its approach to tax when developing its tax strategy. An organisation's tax practices are of interest to various stakeholders. The approach an organisation takes to engaging with stakeholders has the potential to influence its reputation and position of trust. This includes how the organisation engages with tax authorities and governments.[22]

A typical statement that reporters make when explaining their approach to tax is, for example: "In our dealings with revenue authorities in the jurisdictions in which we operate, we are committed to the principles of integrity, transparency, collaboration and mutual trust. We seek to build and maintain relationships with governments and revenue authorities in an honest, respectful and constructive way."

We explore several key topics that may affect the crucial yet delicate relationship between taxpayers and government, as well as the significance and effects of transparency in building justified trust. We explore the mechanisms for engaging with tax authorities to achieve this goal.

Is there a tax morality dilemma as a result of a lack of trust?

Tax morality is defined by the South African Institute of Professional Accountants[23] as the willingness of individuals to pay their taxes and comply with tax laws, and is driven by several factors which work in combination to determine whether people feel inclined or disinclined to contribute to the tax revenue of their country.

Tax collections – a significant contribution to the National budget

South African finance minister, Enoch Godongwana, confirmed in November 2023 that the revised 2023 February Budget net tax revenue estimate is R1,730.4 billion.[24]"

The significant importance of tax collections are clear. This is underpinned by the view from SARS that without its assistance, the fiscal framework would have been under greater pressure.[25]

22 GRI 207: Tax 2019
23 du Chenne, S (2018), "Tax Morality: The Morals and Ethics of Tax", Official Journal of the South African Institute of Professional Accountants, Issue 32.
24 National Treasury (1 November 2023), Medium Term Budget Policy Statement 2023, Page 60.
25 SARS welcomes the MTBPS Revenue Announcement

It is worth noting though that 58% of participants in the 2023 PwC Taxing Times Survey[26] stated that their trust in SARS had not increased in the last 12 months. Indications are that SARS needs to address this issue, since rebuilding trust will translate into restored public confidence, increased tax morality and ultimately the payment of tax. Additionally, this will move the needle towards more collaborative, corporate compliance relationships.

What is the impact of public transparency on tax controversy and solving problems on a trust basis, especially if there is a surge in tax uncertainty and tax disputes. In other words – in an environment filled with mistrust, what is the incentive for proactive transparency?

The impact of public transparency on tax controversy could lead to problem solving between the taxpayer and SARS on a trust basis. For example, SARS will be able to assess the risk posed by companies in more detail, therefore potentially resulting in fewer audits as they would have greater insight into a company's governance of tax and tax control framework. This should give greater security to revenue authorities, that what has been reported can be trusted.

Although not resulting in public reporting, transparency mechanisms such as the Voluntary Disclosure Program (VDP) encourage tax transparency. It allows taxpayers to be transparent with their tax affairs ex post facto where there has been non-compliance. The VDP is a permanent channel embedded in law providing eligible taxpayers with an opportunity to disclose any unreported tax liabilities, whether arising from errors, omissions, or other irregularities, without facing the full extent of penalties and legal consequences that would typically apply. Being proactive can therefore potentially result in relief granted on applicable understatement penalties, qualifying administrative penalties and criminal prosecution.[27]

As large businesses accept their side of the social contract, are they also becoming more forceful in making sure the government fulfils its side of the contract?

Based on feedback from the 2023 PwC Taxing Times survey, it is clear that large businesses would like to hold SARS accountable and ensure it fulfils its side of the bargain. One can expect SARS response to come from its strategic plan 2020 – 2024[28] demonstrating its vision to build "a smart modern SARS', with unquestionable integrity, trusted and admired" with a clear strategic intent "to follow the internationally recognised approach of voluntary compliance". One of its key objectives is to build public trust and confidence in the tax administration system. To ensure that the public is confident that its stewardship of the country's tax system is professional, unbiased and fair, SARS undertakes to act and do the right thing, maintain integrity and ethics, have transparent governance systems and processes, and appoint capable and trustworthy leaders.

It is clear from this strategy that trust must be earned.

Are there signs of a move towards cooperative compliance relationships and how does it relate to tax transparency?

Another strategic objective of SARS is to provide access to cooperative compliance programs to certain segments of taxpayers.[29] However, this program is not yet on the scale to what is seen in other countries.

Examples of cooperation between companies and tax administrations include, timely submission of tax information for compliance with tax laws; exchanging information in line with OECD Guidelines; using Cooperative Compliance Agreements; timely tax audits, and Advance Pricing Agreements.

26 This survey assesses corporate taxpayers' perceptions of the tax system and their experiences with SARS.
27 Voluntary Disclosure Programme (VDP) | South African Revenue Service
28 SARS Strategic Plan.
29 SARS Strategic Plan.

Cooperative compliance models require both revenue authority and taxpayer to engage in open communication, mutual understanding, and proactive collaboration. Internationally, various countries such as Belgium, Italy, Spain, Ireland, Australia and the UK have adopted cooperative compliance. There is value in this approach. For example, in Belgium the objective is to improve voluntary tax compliance and create a sustainable framework for mobilising tax revenue through a system of proactive, real-time and constructive dialogue on the tax affairs of corporates.

In Italy the cooperative compliance regime makes it possible to initiate a preventive dialogue with the tax authorities, with regard to uncertain and controversial tax positions, in order to reach a common assessment of the facts underlying the business choices that involve tax uncertainty.

Companies participating in the Irish tax authority's Cooperative Compliance Framework must have a tax control framework in place. They share details of the tax control framework with the tax authority to provide assurance on the robustness of the internal governance, policies and controls underpinning their tax filings.

The Code of Good Tax Practices of the Spanish Tax Authorities provides a self-regulatory framework for minimising tax risks and promoting a voluntary cooperative relationship between companies and the tax authorities. Although not strictly required, companies that adhere to the code will generally file an annual fiscal transparency report with the Spanish tax authorities. A list of companies that file such reports is made publicly available.

Cooperative compliance and tax transparency share common goals in providing stakeholders with a clearer insight into the organisation's business and tax strategy, how the business works, appetite for risk and framework to govern tax which may lead to more open and honest communication, reducing potential misunderstandings, and increasing certainty. Having a big picture view of the organisation's total tax contribution and payments to governments also helps to address the perception that an organisation is not paying the right amount of tax. As we've emphasised in previous publications, "truth builds trust".

A key theme in tax transparency guidance is that the taxpayer needs to demonstrate their approach to public policy advocacy on tax (i.e. its lobbying activities related to tax). Does society benefit from the more active interest and involvement of businesses in making tax policies that work?

Responsible lobbying has the potential to unlock positive action by setting progressive regulations that create a level playing field for all.[30] Stakeholders are demanding transparency from organisations on their direct and indirect corporate lobbying activities in order to ensure that their lobbying activities are in the interest of society and not for personal gain only.

Society can benefit from responsible lobbying by businesses in making tax policies that work. These organisations usually have valuable industry insight, deep knowledge and understanding of the economic landscape in which they operate. They also understand the impact of tax policy on businesses' ability to provide services and products to society in an affordable yet value added way.

Tax policies directly impact their ability to invest, create jobs, and spur economic growth. By participating in the policy-making process, they seek to influence decisions that they believe will lead to a favourable business environment, benefiting both companies and the broader economy. Being involved in tax policies means that businesses may enhance the competitiveness of their industries on a global scale. This can lead to attracting investments, fostering innovation, and maintaining or creating jobs. When businesses engage in constructive dialogue with governments, they have an opportunity to shape effective, efficient and fair tax systems, legislation, and administration.

Businesses should, however, tread carefully on the fine line between balancing shareholder and stakeholder interest – or face the possibility of reputational damage and potential penalties when interested parties "blow the whistle" on lobbying activity with the intention to primarily serve self interest, inequality or regulatory capture.

Organisations that are willing to talk about their lobbying activities related to tax can provide information on significant issues addressed and any differences between its stated policies, goals or other public positions on significant issues related to tax and the positions of other parties. In addition they can discuss the process of engagement as this sets the tone for a transparent and inclusive policy making process.

Contribution by Elle-Sarah Rossato, Partner & Africa Lead Tax Controversy and Jadyne Devnarain, Associate Director Tax

Supported by Rosy Ngwai, Senior Associate Tax

30 Lobbying, influence and accountability

In conversation with Kyle Mandy

While optimising the tax base or avoiding taxes is legal, such behaviour may suggest a disregard for the responsibilities that businesses have toward society

Although optimising the tax base or avoiding taxes can be legitimate, these actions could imply a lack of regard for a business's societal responsibilities in the eyes of certain stakeholders.

Given the varying interpretations, perspectives and expectations of stakeholders, it can be challenging to reach a consensus on what "compliance with tax laws" means. Companies often find themselves in complex situations where there is a fine line between permissible and impermissible tax avoidance.

When companies report on their approach to tax, an explanation of their commitment to compliance with tax laws is expected. We see many different approaches to public disclosure, e.g.

"Paying a fair amount of tax is what we do."

"We pay taxes according to existing local tax legislation in operating countries."

"Ensure the payment of taxes due within the statutory deadlines, observing the spirit as well as the letter of the law while at the same time ensuring legitimate tax benefits for the group."

"We pay the right amount of tax, in the right jurisdictions, at the right time."

Common language that is also used includes *"prudence", "integrity", "honesty", "fairness"*, etc.

A Company should balance its responsibilities to society, taxes being a significant source of government revenue, and its responsibility to shareholders not to pay more tax than is due under the law (in effect, ensuring that it takes advantage of any legitimate tax savings and permitted tax benefits).

These commitments closely connect to a company's tax risk appetite. Here too there are different ways in which companies discuss their approach to risk, e.g.

"We are not inclined to make decisions based on an overly aggressive interpretation of the tax law, nor are we inclined to make decisions when external tax advice suggests a low chance of success."

"Our tax risk appetite is set at a low to medium level.

We strive to ensure full compliance with the letter and spirit of the law. However, we are exposed to various tax risks that may require significant judgement and our goal is to minimise these risks where legitimately possible."

"We maintain a strong commitment to adhering to tax legislation. Our tax risk appetite is set at a low level to reflect this dedication … the risks we assume – whether directly or indirectly – align with our business model and strategic goals. Our approach is the outcome of a meticulous process aimed at striking a delicate balance between potential gains and potential pitfalls. We are committed to steering clear of any risks that may result in legal or regulatory violations."

These examples reflect different approaches and while it is always a good idea to consider what peers are doing, the reporting organisation's unique circumstances and experiences should inform the approach. For example, in jurisdictions where revenue collection is sophisticated, there are efficient channels for communication and tax laws are clear and supported by case law and directives, an organisation may feel comfortable stating without reservation that it complies with the letter and spirit of the law. On the other hand, if the tax collection landscape is unfairly aggressive and uncertain, with prevailing practices that differ significantly from the law, an organisation may only feel comfortable stating that it is committed to complying with the law and paying the right amount of tax.

It is expected that a company's tax principles are aligned with its code of conduct, ethics and values. These principles guide a company's staff in terms of what is appropriate and those actions that are not tolerated. Mechanisms can be put in place to speak up, raise questions and concerns about compliance with the principles when it is believed that something is unethical. These mechanisms should also be used for concerns related to tax.

Contribution by Kyle Mandy, Africa Tax Technical and Tax Policy Leader, South Market Area Tax Sustainability Leader

When committing to disclosures around compliance with tax laws, companies should be able to explain what is meant by the narrative and how it is demonstrated in their day-to-day activities. They should be able to join the dots between the statements they make, the actions they take and everything in between.

Considering the weight of these types of statements, it is quite clear that tax transparency is not a "tick-the-box" exercise. It is a carefully considered process. It is also not sufficient to take a "one-liner" approach when discussing various topics in the tax report, as this can be open to interpretation by the reader. There should be a constant reconciliation between the statements made and "what is happening on the ground". There should also be a discussion of "the how" – how it is applied and whether it is consistently applied.

What are others doing?

We pride ourselves on being at the forefront of trends and developments locally and globally that are geared to build trust through tax reporting. This is in line with The New Equation, our strategy to help business leaders in this fast-changing environment to enhance trust with their stakeholders and achieve sustained outcomes amidst turbulent change. We support tax functions to achieve long-term transformation and tell their unfolding tax story, while achieving daily executional excellence.

A global comparative

One of the highlights in 2023 was our collaboration with the global firm in a study on Tax transparency and sustainability reporting in 2023.

The study examined the current state of tax transparency and sustainability reporting of listed companies from Austria, Brazil, Germany, Ireland, South Africa, Spain, Switzerland and the UK. In total, the publicly available corporate materials of 269 listed companies were evaluated with the focus across four main topics:

- Tax strategy and its links with sustainable development goals
- Tax compliance management systems
- pCbCR
- Total Tax Contribution (TTC)

The following ESG frameworks were used as a benchmark for assessing the quality and completeness of the reporting across all 269 companies benchmarked:

- GRI 207
- Tax section of the S&P Global Corporate Sustainability Assessment (CSA)
- OECD taxation requirements for Multinational Enterprises
- WEF's stakeholder capitalism metrics (TTC metric)

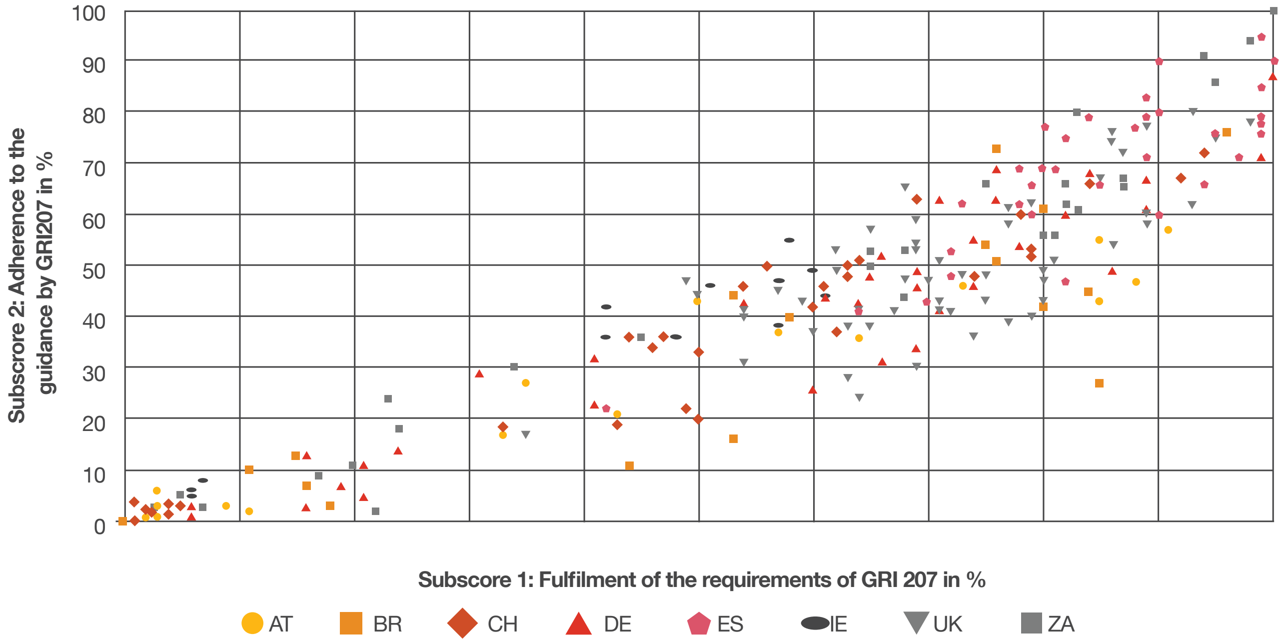
The study was designed to be a valuable resource for companies that want to improve their tax and sustainability reporting. By highlighting industry and geographical comparisons, companies are able to look at peers for inspiration in enhancing their own disclosures. The study was also designed to help shape a constructive debate across stakeholder groups about the role tax has to play in achieving a more sustainable future.

The landscape of tax reporting has been evolving over many years. Recent developments include the CSRD, pCbCR and the WEF TTC metrics. In the current environment, companies are under greater pressure to demonstrate how their tax strategy, practices and contributions support and align with their ESG and sustainable development goals.

Key messages from the study:

- Companies in South Africa and the UK tended to use TTC, whereas EU companies were more likely to publish pCbCR.
- When we consider all four frameworks, Spain and South Africa had the most companies that met at least 75% of each framework's requirements.
- Spain led in the S&P CSA, while Brazil, South Africa and the UK achieved similar scores against the GRI.
- Tax transparency has increased in Germany, Austria and Switzerland compared to last year's review.
- Financial services, energy and utilities and TMT sectors showed the most advanced reporting practices. Conversely, health industries, industrial manufacturing and automotive and consumer markets were more limited.
- GRI 207 and S&P CSA were the most widely used frameworks.
- Qualitative reporting on tax strategy and tax compliance management were more common than quantitative reporting (i.e. pCbCR/TTC).
- An increase in quantitative reporting is expected owing to mandatory reporting initiatives, such as the EU's pCbCR and CSRD legislation. The EU is leading the way in this respect.

Figure 2: Fulfilment of the requirements of GRI 207 in %



Source: PwC Tax Transparency and sustainability reporting 2023

Figure 2 shows the performance of the 269 companies reviewed against GRI 207. The values were calculated as percentages based on the reporters' compliance with the individual requirements of GRI 207 (x-axis) and the corresponding guidance (y-axis).

Almost all of the Spanish and UK companies in the study met at least 60% of the requirements of GRI 207 and their scores are grouped in the upper right corner of the chart. This reflects the fact that many of the front-runners are headquartered in these countries and both countries have introduced legal requirements around tax strategy and tax risk management, including some disclosure requirements.

The German, South African and Swiss companies are distributed linearly in the chart in Figure 2. This reflects the fact that, except for some outliers, most companies are at an early stage in their journey to comprehensive reporting.

Making South Africa proud, the top-ranked company measured against the requirements of GRI 207 is headquartered in South Africa.

Our approach and findings locally

Objective of the Building Public Trust through Tax Reporting study

The PwC Tax Transparency Framework (the Framework) used in the Building Public Trust through Tax Reporting in South Africa is intended to guide companies in developing a tax transparency strategy that is fit for purpose. The framework does not necessarily lead to more disclosure on tax matters, but is intended to help companies make an informed decision on transparency "for whom and for what purpose".

Scope of this study

We use the Framework to carry out an annual review of the voluntary tax reporting and transparency of the top 100 companies listed on the JSE. The companies evaluated are selected based on their market capitalisation as at 31 December 2022. For the study, annual reports, corporate social responsibility reports, annual financial statements, integrated reports, tax reports, sustainability reports and other relevant publicly available information for the 2022 financial year were reviewed in our assessment.

Approach of this study

Our aim is to guide companies from 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. We also ensure that our measuring criteria are clear and comparable.

We assess companies according to four primary categories. Each category is separated into various specified criteria, which have been adapted to align with global frameworks. Our scoring methodology was also adapted to ensure it provides credit to companies in a measurable way. These changes were carefully considered after a thorough review to ensure that it reflects status, trends and developments on tax transparency, including standards, regulations and ESG expectations.

This year we assessed a total of 43 broadly defined tax transparency criteria that we consider to be the basis of good practice in voluntary tax reporting and a maximum score of 80 could be attained.

These criteria are grouped under four main categories:

Diagram 3: The PwC Tax Transparency Framework

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

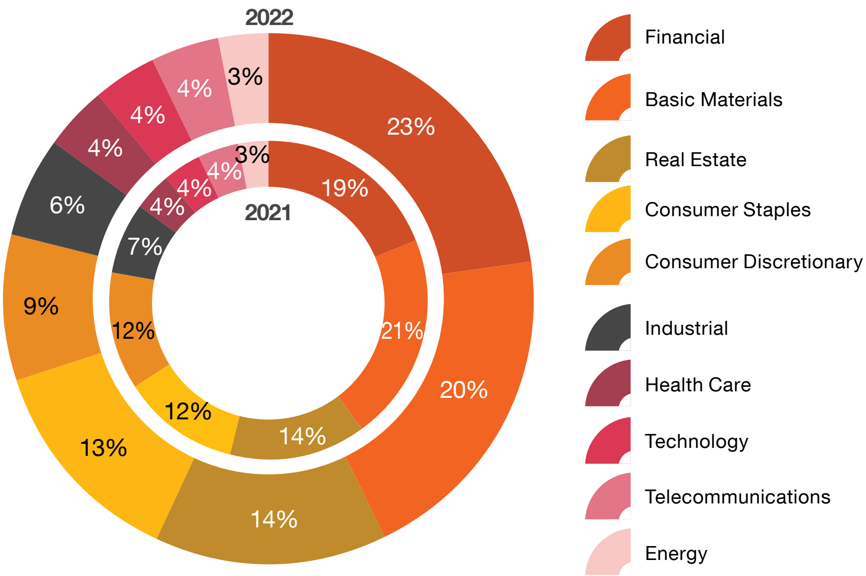
- Jurisdictions, entities and primary activities
- Total economic contributions per tax type, jurisdiction, year
- Other economic contributions to government
- Tax and wider value creation
- Tax and SDGs / corporate citizenship

New this year

We are fortunate to be able to provide readers with a comparison of performance reported between the data assessed for 2022 and the results reported in our previous report for 2021 as we maintained similar categories, criteria and weighting in the research conducted.

Participation

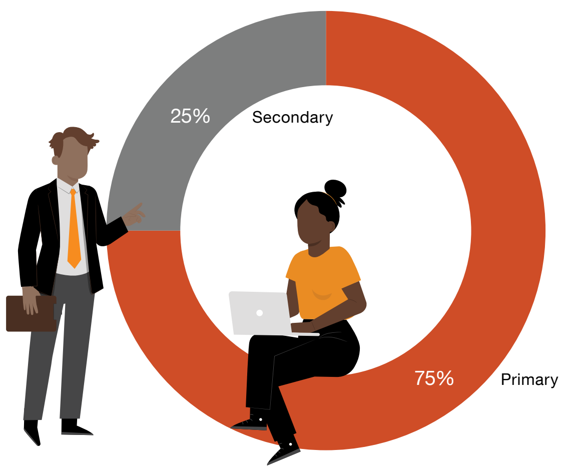
Figure 3: Sector representation 2022



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

The financial sector had the greatest representation in the top 100 companies on the JSE based on market capitalisation as at 31 December 2022. In general, the sector representation remained fairly similar to 2021.

Figure 4: Representation of primary vs secondary companies



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022

Similar to previous years we distinguish between companies with a primary listing on the JSE and those with a secondary listing on the JSE. Our emphasis leans towards the primary-listed companies (75%) to demonstrate the progress made by South African-owned companies in their journey towards greater voluntary tax transparency. Twenty five percent of the companies studied are companies with a primary listing on a stock exchange outside South Africa. The representation in 2022 is similar to 2021.

Figure 5: Average overall score for total tax transparency – all companies

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

The average overall score attained for total transparency is 22.83 (2021: 18.32) points out of a possible 80 points, which translates to an average score of 29% (2021: 23%). It is encouraging to note that there was a notable improvement in the average overall score for total tax transparency in 2022, although there is still much scope for further improvement.

Similar to 2021, 10 companies attained a score of more than 60%, of which 7 are primary listed and 3 are secondary listed companies. More than 70 companies attained a score of 30% or less for total transparency.

Figure 6: Average overall score for total tax transparency – primary vs secondary companies

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

On average, primary listed companies scored 22.68 (2021: 18.08) points out of a possible 80 points, which translates to an average score of 28% (2021: 23%).

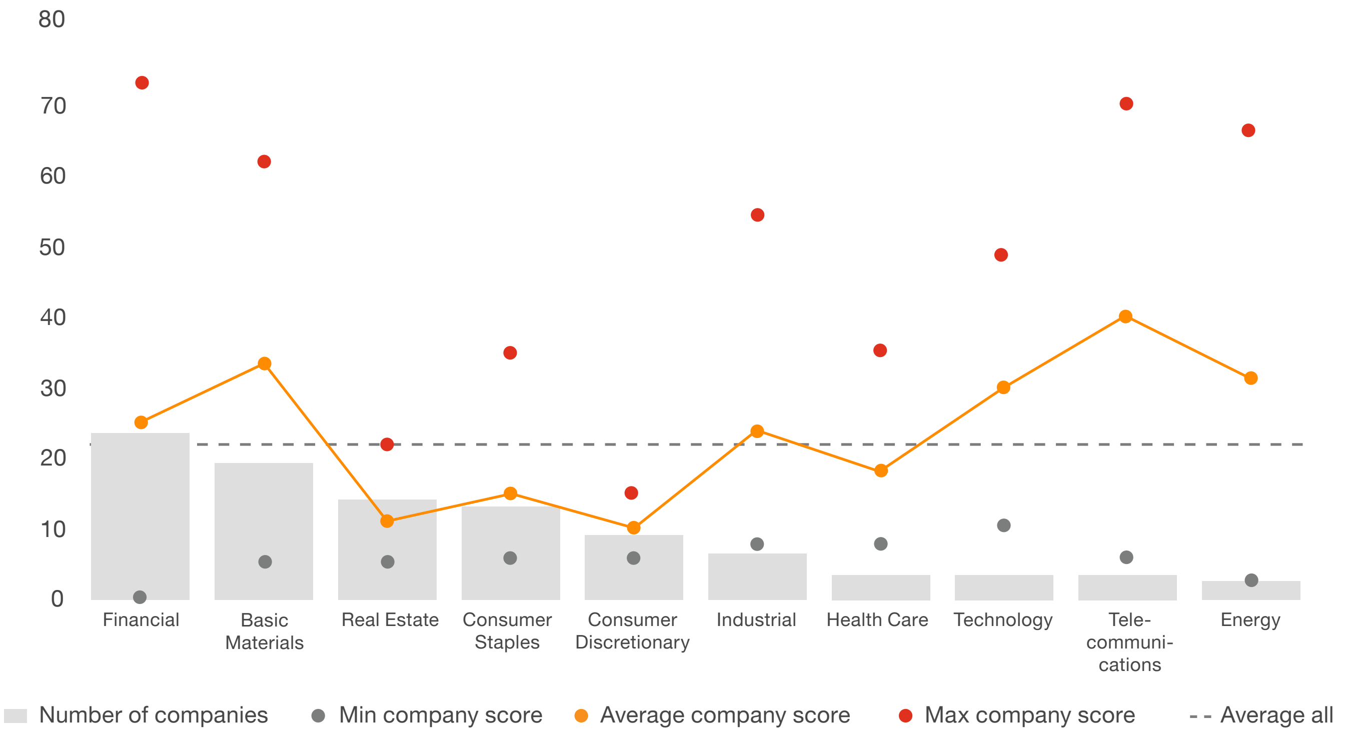
Eight out of the top 10 performing companies are primary listed companies.

Forty-nine (2021: 57) of the 75 primary listed companies attained a score of 30% or less for total transparency.

On average, secondary listed companies scored 23.28 (2021: 19) points out of a possible 80 points, which translates to an average score of 29% (2024: 24%).

Sixteen (2021: 18) of the 25 secondary listed companies attained a score of 30% or less for total transparency.

Figure 7: Minimum, average or maximum score out of a possible 80 points for total tax transparency per sector[31]



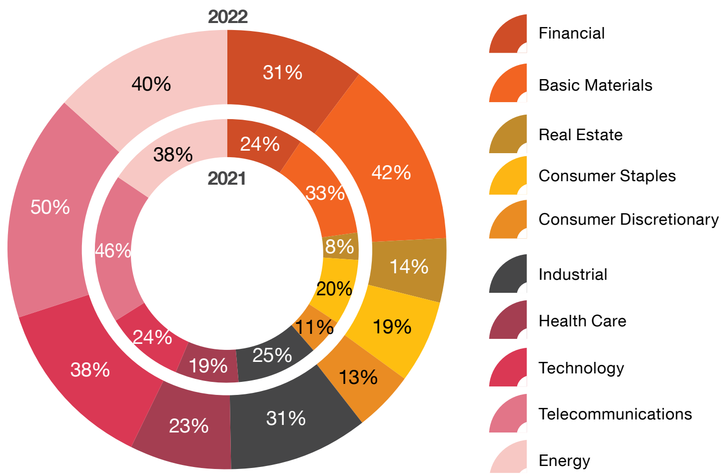
Scores are indicated as a minimum, average or maximum score out of a possible 80 points.
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022

As in previous years, on average the telecommunication sector consistently provided the most effective transparency of taxes with a score of 40, the basic materials sector followed with 34 and the energy sector with 32.

The best performing company is part of the financial sector.

Out of the 20 top performing companies 9 companies are in the basic materials sector, 5 companies are in the financial sector, 2 companies are in each of the telecommunication sector and technology sector and one from each of the energy and industrial sectors.

Figure 8: Average overall score for total tax transparency per sector[32]



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

31 Throughout this report the average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.
32 The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

When comparing the sector performance from 2021 to 2022 the energy, healthcare, telecommunications, consumer discretionary and consumer staples sectors all experienced a decline in their scores for tax transparency, whereas the technology, real estate, basic materials and financial sectors experienced an increase. The technology sector experienced the biggest increase to 38% (2021: 24%). The industrial sector score remained the same year on year.

In the Tax transparency and sustainability reporting in 2023 study (although the criteria was slightly different) it is interesting to note that the financial, energy, utilities and resources (basic materials), technology, media and telecommunications sectors have the most advanced reporting practices. The study suggests that other sectors can benefit from the best practices of these more mature sectors.

Transparency by category

> One of the most critical assets to a MNE is trust. When stakeholders consider that an MNE's actions or its underlying motivations fail to meet their expectations of reasonable corporate tax approaches, this may put long-term profitability and sustainability at risk.
>
> The complexities and uncertainties in the application of tax law, move corporate tax payments, or the perceived lack thereof, into the realm of corporate social responsibility. Considering the context of complexity and uncertainty in the application of tax law, the most tax responsible thing to do is to be aggressively transparent in relation to the questions that concern stakeholders. Some of the key questions include:
>
> - Is the board accountable for the tax policy? How?
> - What is the tax strategy of the group and how is it implemented?
> - What is the tax policy of the group and were the trade-offs made between stakeholders in developing the tax policy, articulated?
> - Where are the various entities owned by the Group tax resident?
> - Where do they do business? What do they do?
> - What is the effective tax rate of the Group and how much cash tax does it pay in each of the jurisdictions in which it does business?
>
> These and other key questions will be answered by those companies who adopt a robust framework to tax transparency, considering the Integrated Reporting Framework, King IV, the B Team Responsible Tax Principles, the GRI 207, among others.
>
> However, complying with the above frameworks will not be enough if the way in which these frameworks are approached is as a tick box exercise. Rather, the spirit of transparency must permeate the tax disclosure.
>
> **– Tracy Johnson, Head of Taxation Department of Finance and Tax Faculty of Commerce, University of Cape Town**

Below, we outline the most significant findings, trends and good practice demonstrated by participating companies, per category of the Framework and a valuable comparison of disclosure in 2021 and 2022.

To illustrate the level of disclosure by participating companies we provide a comparative analysis of transparency per category per sector and of primary-listed and secondary-listed companies.

We also highlight the most notable developments related to the criteria within each category. Here we look at the level of disclosure observed and provide a comparison of companies that provided high level disclosure for the criteria compared to those companies that provided detailed disclosure.

In our previous reports we featured many extracts from participating companies' reports showing emerging trends in tax transparency where disclosure demonstrates value creation.

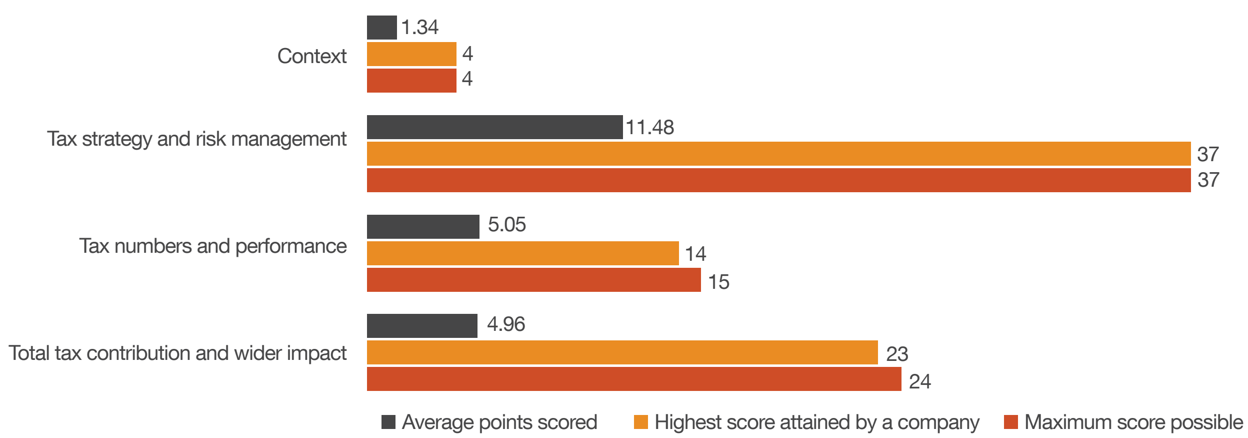
Figure 9: Average transparency score per category of the PwC Framework – all companies

A – Context	34%	(2021: 32%)
B – Tax strategy and risk management	31%	(2021: 25%)
C – Tax numbers and performance	34%	(2021: 30%)
D – Total tax contribution and wider impact	21%	(2021: 15%)

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

We are pleased to see that in each category companies have increased their disclosure in 2022. The 6% increase in reporting total tax contribution and wider impact is especially worth noting.

Figure 10: Transparency per category of the PwC Framework – all companies (further analysis)

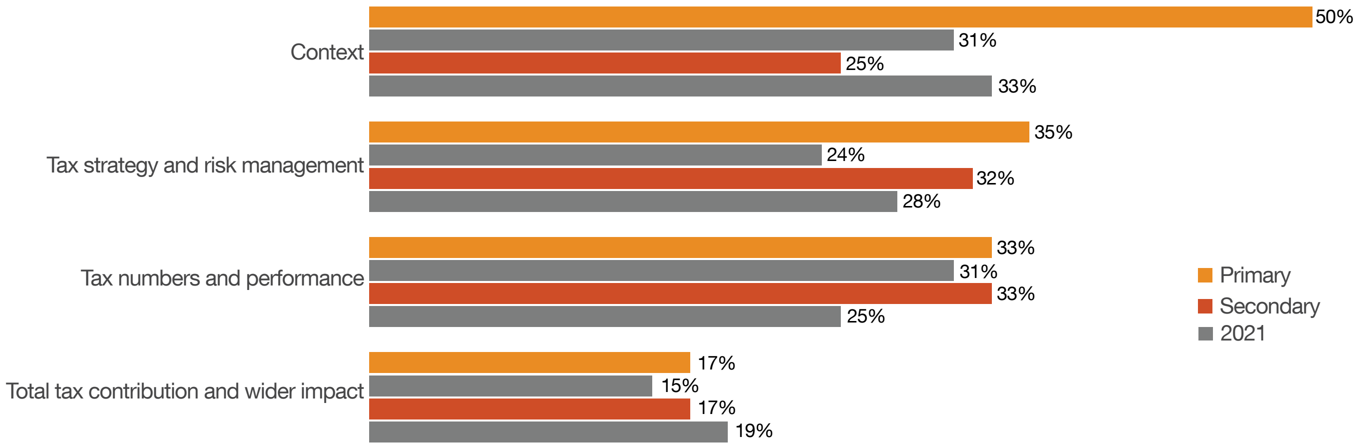


Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022

We note that the best performing company in each category achieved close to or a full score in 2022.

It is noted that in the year-on-year comparison of the average transparency per category, per sector, most industries demonstrated more transparency per category. The most significant increase is demonstrated by the technology sector in the tax strategy and risk management category.

Figure 11: Average transparency per category – of primary-listed and secondary-listed



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

A – Context

In conversation with Zubair Wadee, Head School of Accountancy, University of Witwatersrand

We asked one of our alumni forming part of our community of solvers to provide an integrated reporting perspective on tax transparency.

What is the expected value that internal and external stakeholders can gain from more transparent tax reporting?

In an age of trust deficits, especially trust in large corporates, transparent tax reporting in a clear manner helps to re-establish some of the lost trust. It reflects the company's attitude to significant stakeholders, not just the governments of the countries in which these organisations operate, but also the citizens of that country who inevitably are both the ultimate recipient of the taxes paid but also a key stakeholder in terms of returns generated by the company. Transparent tax reporting therefore demonstrates how companies contribute back to those who were instrumental in their earning profits.

Are there any pitfalls to increased tax transparency?

When considering any pitfalls to increased tax transparency – as Professor Mervyn King puts it, there's a difference between transparency and nakedness[33]. It is important for companies to provide sufficient information for the reader to grasp the tax matter or dispute at hand and understand the potential tax consequences and associated risks. This does not imply that all the details associated with the matter need to be revealed, a principle common to the rest of a company's reporting.

What in your view causes tax to be a material topic

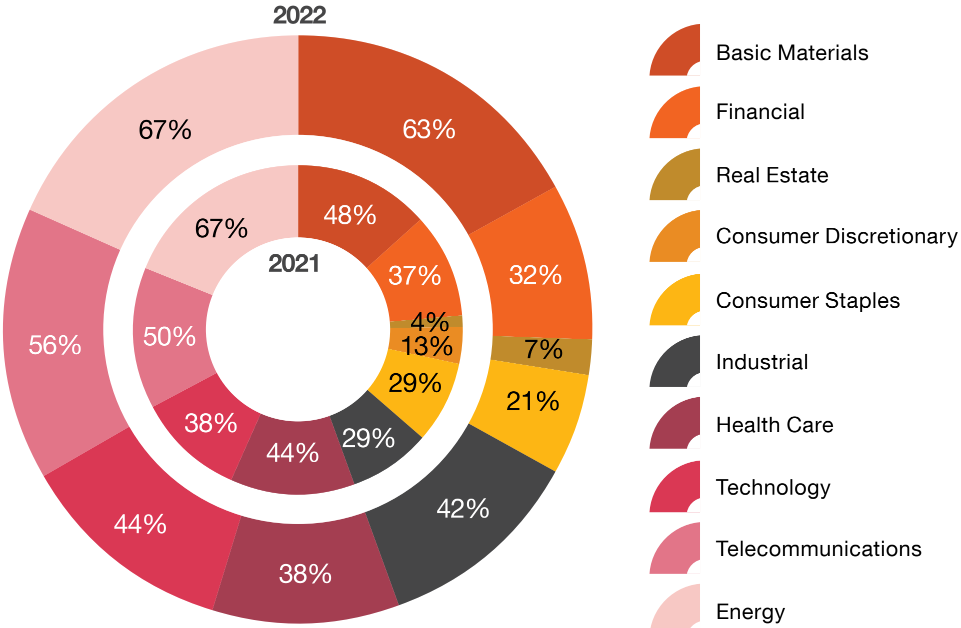
Tax continues to be a material topic as the disparity between the global north and south widens, as does the disparity between developed and developing nations. From an African perspective, there is a view that the natural resources and wealth of the continent does not always translate into tax revenues for African countries because corporations reduce their tax burdens in those countries through a variety of mechanisms – some of which are not legal. Effective tax transparency helps to keep companies accountable and builds trust that these companies consider themselves to be part of the fabric of society of the economies within which they operate and derive revenues.

33 https://drcaroladams.net/integrated-reporting-what-it-is-and-is-not-an-interview-with-paul-druckman/

Tax is being incorporated into certain wider sustainability reporting frameworks

Tax is being incorporated into certain wider sustainability reporting frameworks. Companies should consider demonstrating how their tax strategy and practices align with their sustainability strategy and goals. The impact of tax is seen on not only the Financial Capital of a company but also its Social and Relationship Capital. There are a number of instances where the reputation of a company has been severely impacted because of its relationship to tax authorities and the manner in which it has conducted its tax affairs. Tax is therefore an integral part of the operations of a company and part of its creation or destruction of value. As with other aspects of reporting, companies must consider what they consider to be material from a reporting perspective and then report accordingly. For many entities, tax may be one of those areas that companies consider important to report upon in the interest of transparency and providing a more informed view to their stakeholders."

Figure 12: Context – Average score per sector[34]



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Similar to 2021 companies provided tax disclosure in various formats.

Thirty six (2021: 34) companies demonstrated a clear understanding of how to effectively provide transparency of taxes in a way that was easy to find, well-articulated, comprehensive and either a stand alone tax report or a dedicated

34 The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

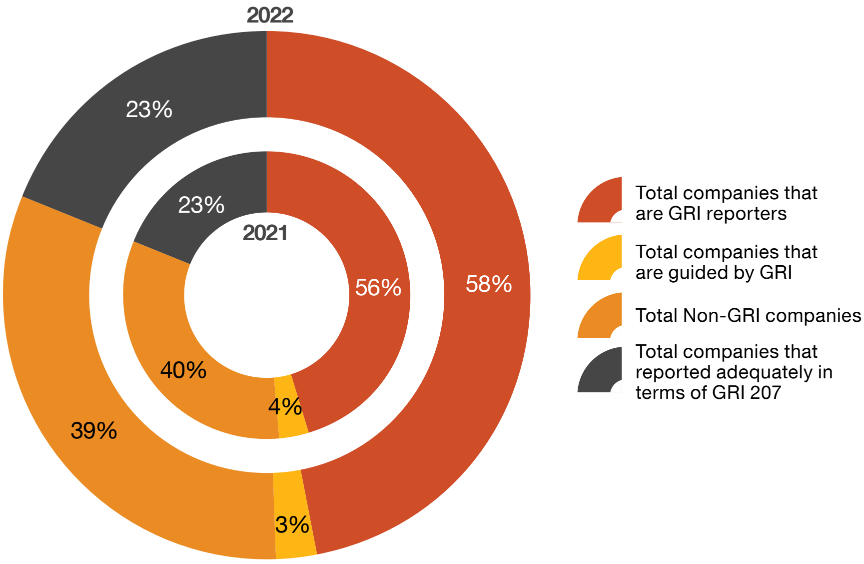
section in a relevant report of the company (e.g. Sustainability Report, Governance Report, etc.). Furthermore, at least 42 (2021: 37) companies demonstrated integrated tax related disclosure with other company related disclosure, i.e. a sense of value reporting on tax disclosure and how it integrates with and relates to the business.

Of the 100 companies participating in this study, only 30 (2021: 27) companies discuss the importance of tax transparency.

Twelve companies (2021: 11) prepared a stand-alone tax report.

There is no hard and fast rule on the look and feel of your voluntary tax reporting and it is definitely a learning curve for most organisations. The key to a fit for purpose tax report is to work together and plan the report with a cross-functional team. Recognise the interdependencies between overarching and related reports. Having executive support that is open to fresh initiatives for tax and prepared to provide direction is helpful. When crafting the tax report, keep in mind the actual needs and interests of each stakeholder group and take initiative to deviate from a "template approach" – there is limited value in a "copy and paste" exercise.

Figure 13: Context – Following guidance from GRI for sustainability reporting

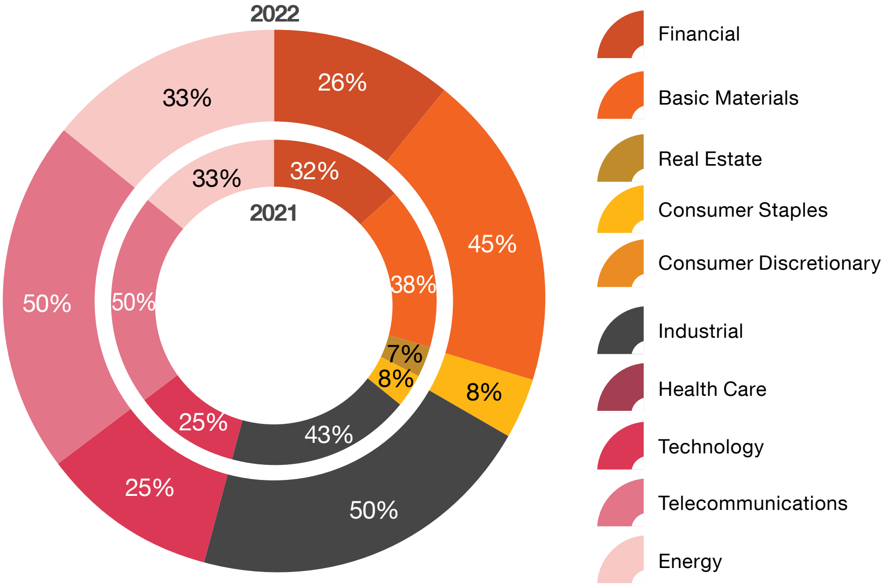


Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

More than 60% of companies in this study make use of the GRI standards in some way or form, but only 23 companies utilised GRI 207 to adequately guide the extent of their non-financial[35] tax reporting.

35 "Non-financial information typically refers to information that isn't based on the usual financial figures but which nevertheless gives your stakeholders an understanding of the essential areas of value creation in your business that goes way beyond your financial statements.

Figure 14: Context: Total companies that reported adequately in terms of GRI-207 per sector[36]



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

When comparing the sector performance, approximately half of the industrial, basic materials and telecommunication sector companies covered by the study in 2022 reported adequately in terms of GRI 207, which is a similar representation to 2021. In the rest of the sectors reference to GRI 207 remains low.

Sustainability teams take note – consider tax as a material topic:

The GRI standards are aligned with widely recognised international instruments for responsible business behaviour. These include instruments such as the UN Guiding Principles on Business and the OECD Guidelines for Multinational Enterprises. The standards can also be used to report on an organisation's impacts and progress on the SDGs.

Taxation plays an essential role in achieving the SDGs. On the one hand, taxes are required for governments to make the necessary environmental and social investments. The UN Global Compact together with the GRI made this concrete through tax-related business actions such as 'paying fair share of taxes', 'prevent using tax avoidance mechanisms', and 'engaging in responsible tax practices from tax planning and public transparency undertaking impact assessments of corporate tax policy and practice'.

The GRI Standards offer interoperability with other sustainability standards. An organisation that has determined its material topics (including tax) needs to gather relevant data to report specific information on each topic in accordance with the topic standards, e.g. GRI 207. If an organisation cannot comply with the particular reporting requirements, it is in certain instances permitted to omit the information, provided that a valid reason is given for the omission.

36 The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

A corporate governance perspective:

It has become an accepted principle that tax compliance should be part of the social contract of any organisation. Put differently, being a responsible corporate citizen entails, among other things, being a responsible taxpayer in the country of operation. It is therefore pleasing to witness the global move towards greater disclosure of tax related information. Unfortunately, as with many other sustainability related topics, different frameworks make for a fragmented reporting universe. Hopefully global reporting standards will emerge over time to facilitate value adding disclosures and comparisons in the interest of greater transparency.

Food for thought when contemplating a tax report:

While lengthy and colourful reports often do contain valuable information, an approach of 'substance over form' and/or 'less is more' can result in more credible and informative reporting.

Often tax reports contain very similar statements relating to the commitment to being law-abiding, responsible corporate citizens and/or taxpayers. Experience to date has however confirmed that such statements cannot always be taken on face value and need to be judged against the DNA, culture, ethos and/or values of the organisation. Thus, while being recognised for transparency is to be commended, it is ultimately the behaviour of leadership at all levels in the organisation that 'speaks the loudest'.

A valuable insight into the effectiveness of the tax management and risk element, is a high-level overview of the profiles of members of the tax leadership team in the organisation as well as the specific areas of responsibility of the tax function.

While difficult to substantiate, the general 'spirit' of a tax report can be tangible if it provides the reader with a sense of credibility and authenticity. This is in comparison with some reports that seem to contain more theoretical and/or abstract statements than 'at the coalface' detail and information.

Although extensive information on tax can be set out in various reports with use of cross-referencing to guide the reader, it is useful to include a high-level summary of such information in the tax transparency report. Additionally, adding substance to information provided in respect of the topics of sustainability and value creation for the business and its stakeholders from a tax perspective is recommended.

While the substantial tax contributions being made by reporting entities are commendable and they are not directly accountable for how the taxes are used, there is a need for business to work with governments and civil society in addressing the many social challenges – a number of which are as a result of the ineffective use or misappropriation of taxes. While it can probably be understood why companies may be hesitant to report and elaborate on such initiatives, it is hoped that this will indeed form part of the approach to being a responsible corporate citizen for all.

– Annamarie van der Merwe, Co-CEO of FluidRock Governance Group (Pty) Ltd

B – Tax strategy and risk management

31%

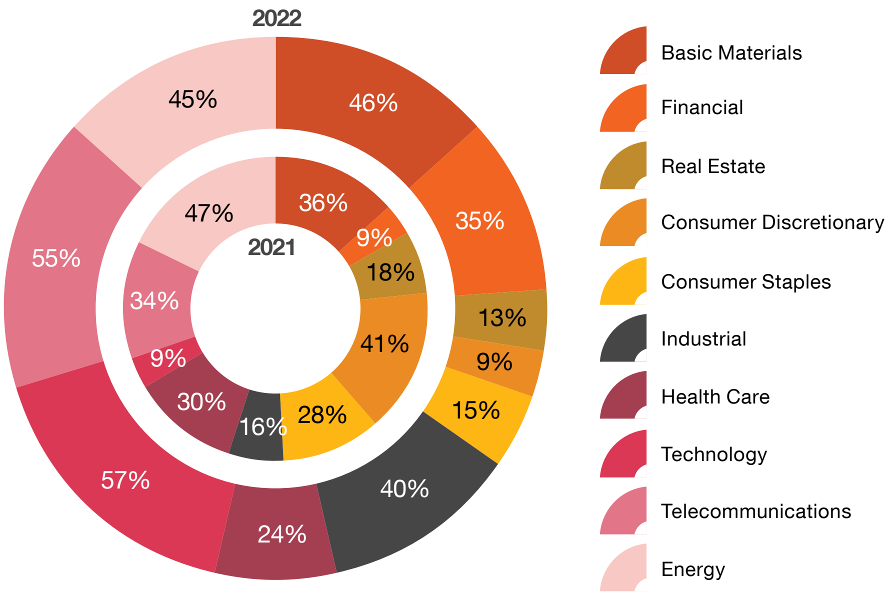
(2021: 25%)

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

The average overall score attained for tax strategy and risk management is 11.48 (2021: 9.10) points out of a possible 37 points, which translates to an average score of 31% (2021: 25%)

This year 21 (2021: 17) companies attained more than 23 out of a possible 37 points (higher than 60%) of which 15 (2021: 11) are primary listed and 6 (2021: 6) are secondary listed companies. More than 60 companies attained a score of 30% or less for tax strategy and risk management.

Figure 15: Tax strategy and risk management: Average score per sector[37]



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

In this category the best performing sector is the technology sector at 57% (2021: 34%) showing a significant improvement year on year, closely followed by the telecommunication sector at 55% (2021: 47%). The majority of sectors showed progress in this category compared to 2021.

37 The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

Tax strategy

4% (2021: 10%) high level disclosure

30% (2021: 28%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Thirty four (2021: 38) companies communicated their tax strategy publicly (this might be in the integrated report, in the format of a separate document, or part of a code of conduct, a tax policy or similar document). Of these companies, 4 provided a high-level overview of their tax strategy whereas 30 provided a full explanation of their tax strategy and how it interlinks with the organisation's business strategy.

Role of governing body

11% (2021: 12%) high level disclosure

23% (2021: 18%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Thirty four (2021: 30) companies indicated that the governing body takes ultimate ownership of the tax strategy, but only 23 (2021:18) of these companies discussed the governing body's role in tax in detail.

A Sustainable tax strategy

The key insight we take from our market experience is that a strategy that can't be sustained over time is unlikely to be the best path toward adding value.

Building trust with stakeholders through engagement, communicating a clear strategy and being transparent about progress can create resilient stakeholder relationships, attract and retain talent, build brand strength, drive revenue and reduce capital costs.

When designing the company sustainability strategy the tax function is usually not initially involved. However, the increasing importance of environmental taxes, carbon pricing and their impact on the price of the product and margin will likely transform the tax function to a key player of the sustainability strategy, value chain and business discussion.

The Board's influence, approval and continuous review of tax as a key strategic influencer in fulfilling the organisation's sustainability objectives is essential. The tax director together with the executive team and the Board should identify opportunities to optimise the tax strategy so that it supports and is consistent with the organisation's purpose and how this supports its sustainability goals. This can include incorporating the costs of green taxes[38] and considering available incentives, as well as exposure to regulations and the corresponding reporting obligations, including managing risks.

The tax function should see sustainability as an opportunity to transform and become an effective business partner to management and operations.

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38 For more on green taxes, green cash grants and green tax incentives please refer to page 20 of our previous edition of this report where we discuss "Green taxes – the 'E' in ESG"

Tax and ESG

28% (2021: 21%) high level disclosure

23% (2021: 8%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Twenty eight (2021: 21) companies link/integrate tax or discuss tax in the context of only one of the environmental, social and governance (ESG) elements. Twenty three (2021: 8) companies demonstrate a sustainable tax strategy that facilitates ESG addressing each of the three elements in a cohesive manner.

> Although the level of disclosure is still low, this demonstrates a significant heightened awareness among the companies researched that tax and sustainability intersect.

All of the 20 top performing companies report on tax in the context of ESG.

Tax governance

12% (2021: 10%) high level disclosure

26% (2021: 17%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Thirty eight (2021: 27) companies mention that the approach to tax is embedded within the organisation; however, only 26 (2021: 17) companies provided a detailed description of how this is done, e.g. initiatives such as a formalised tax governance framework, code of conduct, tax risk management, guiding tax policies and principles, tax reporting, clear roles and responsibilities as well as mechanisms that are in place for proper adherence to these guiding frameworks.

Although each company's style, content and level of detail differs, it is noted that 10% more companies now report on their approach to tax.

Tax planning

17% (2021: 26%) high level disclosure

22% (2021: 12%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Thirty nine (2021: 38) companies provided a statement around tax planning, of which 22 (2021: 12) shared a full explanation of their approach to tax planning, minimising tax liabilities or aggressive tax strategies. It is noted that although the number of companies that report in line with this criteria remained similar, more companies are moving towards more detailed disclosure with additional narrative.

Transfer pricing

25% (2021: 25%) high level disclosure

16% (2021: 10%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Forty one (2021: 35) companies include transfer pricing as a topic in their disclosure, but only 16 (2021: 10) clearly explain their approach or policy on transfer pricing, the nature of their transactions and why they are at arm's length.

Low tax jurisdictions

13% (2021: 13%) high level disclosure

13% (2021: 14%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Twenty six (2021: 27) companies state their position on low-tax jurisdictions, but only 13 provided a detailed narrative of their policies on low-tax jurisdictions and, if they operate in such jurisdictions, the nature and extent of their operations in those jurisdictions.

Tax incentives

14% (2021: 11%) high level disclosure

11% (2021: 8%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Twenty five (2021: 19) companies indicated that they make use of tax incentives; however, only 11 provided detailed information on the nature of the tax incentives, how they were obtained and how they are utilised.

Tax risk

Considering the sentiments from the

- Global Investor Survey – Investor interests in sustainability investing are strongly driven by a number of different factors, the most significant of which is regulatory risk management which will include the potential tax risk a business is exposed to.
- Global CEO Survey – Slightly more than half the business leaders polled believe that changes in regulation will impact profitability in their industry over the next ten years, of which tax-related regulation and associated risk will be a big part.

Companies need to strongly consider tax as one of the business strategic risks.

In the context of tax as a material matter and when considering the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, our view is that the potential financial, compliance and/or reputational risk that may arise from a MNE's position on tax and tax operations is very real. We would therefore expect most companies to incorporate tax as a key risk. However only 48 (2021: 43) companies identified tax as a business risk in some way or form in their reporting suite.

Organisations also need to have the appropriate framework and procedure in place to adequately address the tax risk and be able to report how it is embedded in business.

Tax risk framework

14% (2021: 17%) high level disclosure

26% (2021: 25%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Forty (2021: 42) companies indicated that they have frameworks in place to manage and monitor tax risk; however, of the 40 companies only 26 provided a detailed discussion on the approach to tax risks, e.g. disclosure on types of tax risk, risk appetite and tolerance, reference to lines of defence, internal control frameworks or generally accepted risk management principles that are applied to tax.

Communication of tax risk through the organisation

Furthermore, of all the companies assessed 26 (2021: 16) provided a detailed explanation of how tax risk is communicated through the organisation from an operational level to the Board / Audit Committee level, including frequency and nature of reporting, seat of tax at the Audit Committee, discussion at tax risk committee, etc. It is noted that 10% more companies now provide this information in a detailed manner.

Monitoring tax risk

Lastly, regarding tax risk, only 18 (2021: 11) of all the companies assessed provided a detailed explanation of how compliance with the tax governance and control framework is evaluated in the organisation, i.e. detail on the process through which the tax governance and control framework is monitored, tested, and maintained, e.g. Internal auditor / compliance team / enterprise risk accountability for undertaking annual reviews / external / independent reviews and testing and reporting to the Audit Committee on performance.

Tax controversy exposures

11% (2021: 15%) high level disclosure

22% (2021: 11%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Thirty three (2021: 26) companies provided a statement on tax controversy exposures, of which 22 disclose detailed information of the nature, circumstances and quantification of amounts set aside for tax controversy exposures and the potential impact on stakeholders. Although each company's style, content and level of disclosure differs, it is noted that now 11% more companies provide this information in a detailed manner.

Building relationships

Revenue authorities

18% (2021: 15%) high level disclosure

30% (2021: 28%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Almost half of the companies provided a statement on their relationship with revenue authorities. Thirty (2021: 28) of these companies discuss their approach to and relationships with revenue authorities in detail by including information such as participating in cooperative compliance agreements, seeking active real-time audit, seeking clearance for all significant transactions, engaging on tax risks, seeking advance pricing agreements, etc.

Tax policy advocacy

Of all the companies assessed only 20 (2021: 12) companies provided detailed disclosure of their efforts to be involved in tax policy discussions, advocacy or lobbying activity, describing their lobbying activities related to tax, reasons for these activities, stance on significant issues related to tax that addressed in its public policy advocacy in its sector and the wider tax impact of tax reform on the organisation and payments to the government.

C – Tax numbers and performance

> The expected value that internal and external stakeholders can gain from more transparent tax reporting:
>
> Tax transparent reporting serves to mitigate tax-related reputational costs which might be imposed on a company by the public. It provides context to an arbitrary indicator such as the effective tax rate, which could easily be misinterpreted. It also serves to inform policy makers on the important economic contribution of large companies to the fiscal revenues of governments.
>
> **– Lizette Kotze, Senior Lecturer University of Pretoria**

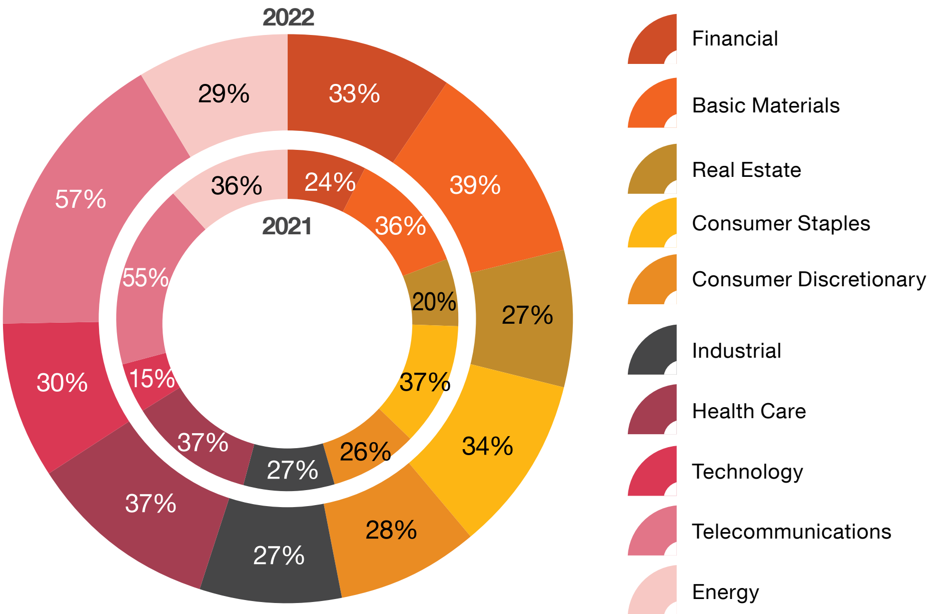
34% (2021: 30%)

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

The average overall score attained for tax numbers and performance is 5.05 (2021: 4.44) points out of a possible 15 points, which translates to an average score of 34% (2021: 30%).

This year, 14 (2021: 8) companies attained more than 9 out of a possible 15 points (higher than 60%) of which 10 (2021: 5) are primary listed and 4 (2021: 3) are secondary listed companies. More than 50 companies attained a score of 30% or less for tax numbers and performance.

Figure 16: Tax numbers and performance: Average score per sector[39]



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

In this category, similar to previous years, the best performing sector is the telecommunication sector at 57% (2021: 55%), followed by the basic materials (39%) and health care sectors (37%). The majority of sectors showed progress in this category compared to 2021. The sector that showed the most improvement from 2021 is the technology sector up from 15% to 30%.

Tax rate reconciliation

Similar to previous years most companies assessed in this study provided a clear and understandable tax rate reconciliation and most provided a breakdown into broad categories.

Very few companies extended the disclosure of the tax rate reconciliation from the annual financial statements to the area in their reporting suite where they provide "non-financial" information about tax.

Only ten (2021: 19) companies followed a categorised split layout and 33 (2021: 24) provided a detailed narrative to explain the items in the reconciliation (e.g. specific footnotes or narrative directly relating to the items in the reconciliation).

39 The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

Effective tax rate

Drivers

18% (2021: 33%) high level disclosure

21% (2021: 12%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

In total 39 (2021: 45) companies provided some sort of discussion on the drivers of the effective tax rate. Twenty one (2021: 12) of these companies provided a significant amount of detail in their disclosure by expanding on the nature of and the circumstances driving these changes in the effective tax rate and why they occurred. Although the total number of companies that provided some discussion on the drivers of the effective tax rate have declined, it is noted that 9% more companies now provide a significant amount of detail in their disclosure by expanding on the relevant narrative.

Variances

Twenty four (2021: 32) companies provided reasons for the variances of the effective tax rate from previous years.

Future performance

Six (2021: 7) companies discussed how the effective tax rate is likely to perform in future (i.e. narrative description, a figure or range of figures).

It is noted that a few companies provided details of cash tax paid.[40]

More granular narrative around the tax rate reconciliation and the effective tax rate is capturing the attention of stakeholders.

The cash tax reconciliation, which sets out the difference between the tax charge disclosed in the financial statements and the corporation tax paid by the company, explains and clarifies to stakeholders how the tax charge in the accounts relates to actual cash tax paid to revenue authorities.

In comparison the total tax rate measures the cost of all taxes borne in relation to profitability before all those taxes and is calculated as total taxes borne as a percentage of profit before total taxes borne.

40 Cash tax paid relates to the corporate income tax on a cash basis as a proportion of profits before income taxes.

D – Total tax contribution and wider impact

21%

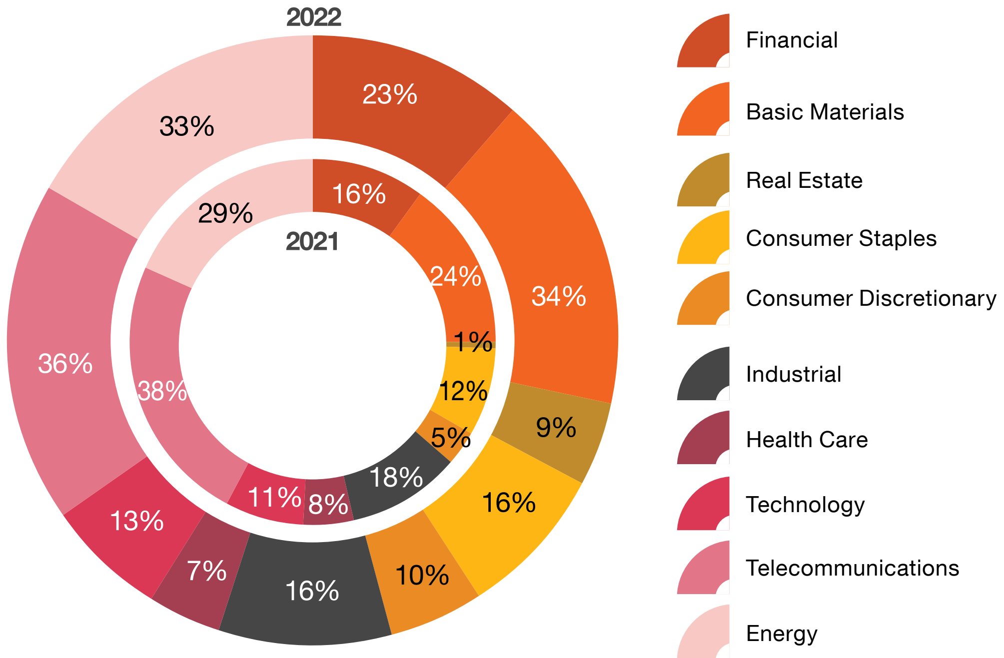
(2021: 15%)

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

The average overall score attained for total tax contribution and wider impact is 4.96 (2021: 3.51) points out of a possible 24 points, which translates to an average score of 21% (2021: 15%).

This year, 7 (2021: 5) companies obtained more than 15 out of a possible 24 points (higher than 60%) of which 5 are primary listed and 2 are secondary listed companies. Seventy five (2021: 58) companies attained a score of 30% or less for total tax contribution and wider impact.

Figure 17: Total tax contribution and wider impact: Average score per sector



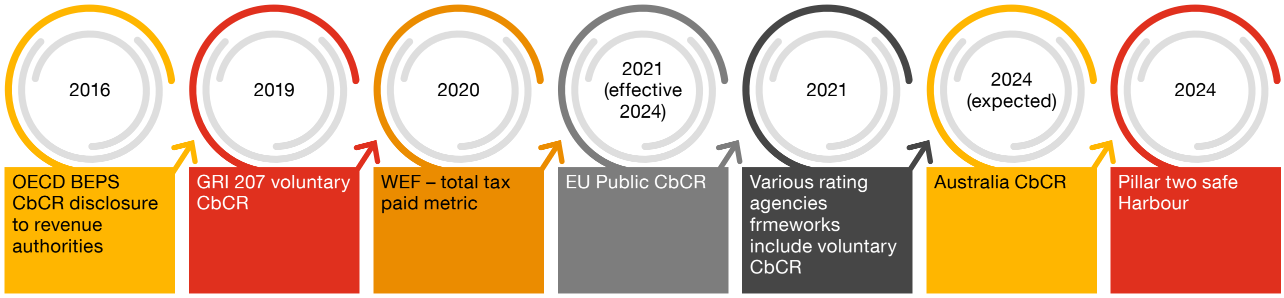
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

In this category the best performing sector is the telecommunication sector (36%), followed by the basic materials sector (34%) and the energy sector (33%). The majority of sectors showed progress in this category compared to 2021. The sector that showed the most improvement from 2021 is the basic materials sector up from 24% to 34%.

Country by country reporting

Only 11 companies assessed in this study provided comprehensive public CbCR information. The results are similar to the previous year.

Diagram 4: CbCR regimes over time same, but different



Indications are that public CbCR data will become increasingly relied upon to demonstrate compliance, either with other mandatory reporting requirements or to align with sustainability frameworks. We expect more and more companies to start to report this information as a crucial part of their tax stories.

Insights from the study on Tax transparency and sustainability reporting in 2023

As sustainability reporting frameworks continue to be embedded, and with the implementation of the EU Directive on public CbCR, more and more companies will be affected by increased mandatory tax reporting requirements. It is essential that companies take the time to understand how they will be affected by the changing reporting landscape and to consider their response to these changes.

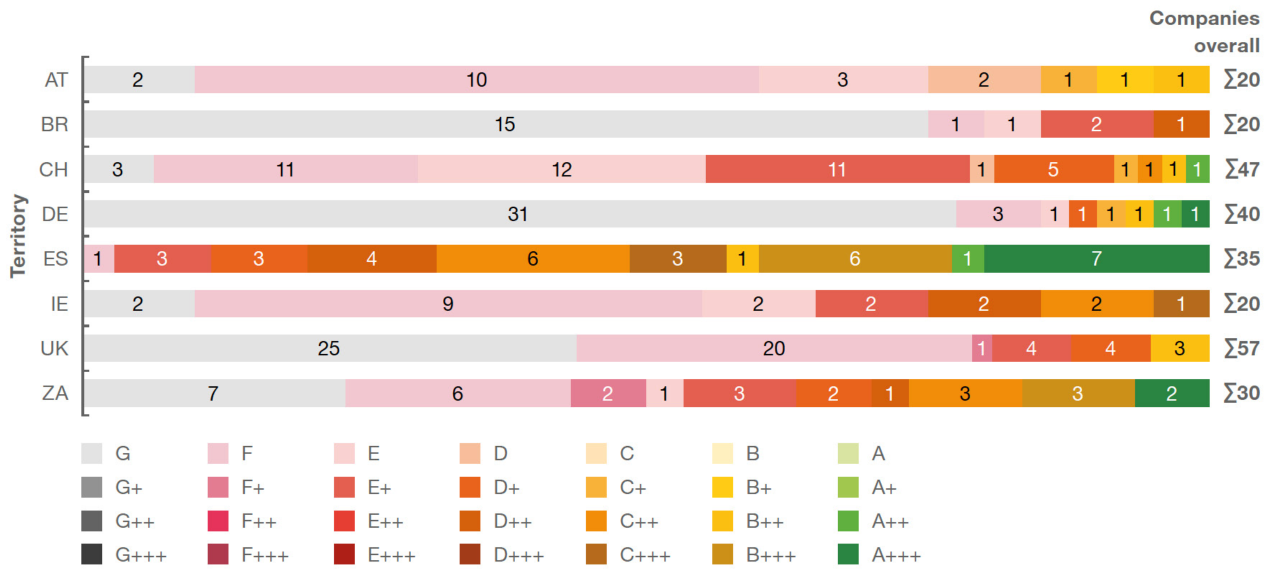
There are differences between the various CbCR regimes, which add to the challenges for businesses trying to navigate the reporting landscape. The table below is an illustration of the similarities and differences of some of these frameworks.

Comparison of CbCR requirements	GRI 207: Tax 2019	OECD BEPS Action 13	EU Public CbCR
Total revenue	✗	✓	✓
Revenue of 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	✓	✓	✓ in FTE
Reasons for the differences bertween accrued CIT and statutory rate	✓	✗	✗
Total accumulated earnings	✗	✓	✓
Stated capital	✗	✓	✗
Approach to tax	✓	✗	✗

Table 1: Public CbCR Comparison

Source: PwC Tax Transparency and sustainability reporting in 2023

Figure 18: Distribution of companies' ratings based on their CbCR disclosures in line with GRI 207-4



The figure above shows the distribution of companies' ratings based on their CbCR disclosures. More than three quarters of the Brazilian, German and UK companies and between half and two thirds of the Austrian, Irish and South African companies reviewed did not provide any of the information that could be used to assess them against GRI 207-4 and so received an F or G rating. In contrast, 42.9% of the Spanish companies reviewed provided an almost complete public CbCR.

Some companies provided some of the information required by CbCR, such as the number of employees per country or the names and activities of the group's entities in each jurisdiction, but did not provide the key CbCR information such as the income tax paid per jurisdiction. These companies were rated with F or E.[41] As mentioned above, it will be interesting to see how this disclosure will evolve in future years with the obligation to publish CbCR data due to the EU Directive coming into effect.

Total tax contribution

Thirty seven (2021: 23) companies provided a consolidated number of their total tax contributions year-on-year, with 7 (2021: 4) providing reasons for variances.

Category split

4% (2021: 8%) high level disclosure

18% (2021: 14%) detailed disclosure

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2022 and 2021

Similar to 2021, only 22 companies provided information for each tax jurisdiction where the organisation is tax resident to provide context on their total economic contribution. Eighteen (2021: 14) of these companies provided a breakdown of this information into categories (e.g. total direct taxes (directly borne by the organisation) / total indirect taxes (collected by the organisation on behalf of revenue authorities from customers and employees) or a similar categorisation).

41 *For more information on the rating methodology see page 55 of the study on* *Tax transparency and sustainable reporting 2023*

Tax contribution through the value chain

Twenty eight companies provided a high-level statement on their total tax contribution through the value chain of their operations, of which 14 provided a detailed explanation demonstrating the value through narrative and infographics.

Tax in the context of economic value add

It is noted that more than half of the companies (2021: 33) mention tax in a discussion about the company's economic value add.

The phrase "Total Tax Contribution" has entered common tax phraseology. The concept is well understood, well recognised and is being adopted by an increasing number of organisations globally. For more on what we mean by total tax contribution refer to the latest Total Tax Contribution Study conducted by PwC in conjunction with EBTF. Leveraging this well-tested and widely accepted framework will yield comparable tax data that is beneficial to investors and other stakeholders.

A key component of an organisation's direct, indirect or induced added value to stakeholders through its activities is its contribution to public finances in accordance with the laws of the various countries in which it operates. Unlike CbCR, which focuses on corporate income tax, the total tax contribution includes all the taxes that a company bears and collects on a cash basis. It is safe to say that tax data will continue to grow in relevance. The data collected for CbCR and total tax contribution can complement each other in a holistic manner. This is particularly useful to unlock many more and deeper data insights, have meaningful conversations and tell a powerful story.

Assurance over non-financial information

Only 11 (2021: 8) 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.

An appropriate level of independent assurance of non-financial information increases the credibility and reliability of the report for users. Reporters should consider the need for external independent assurance of public tax reporting to provide confidence to stakeholders. With better information in hand, companies will be better able to communicate a more complete, interconnected and coherent narrative. The question you should ask is, 'can the information at hand be trusted?'.[42]

94% of investors surveyed in the Global Investor Survey believe corporate reporting contains at least some level of unsupported sustainability claims, commonly referred to as greenwashing. Although investors viewed both sustainability disclosures and narrative reporting sceptically, they expressed confidence in assurance when it came to assessing the accuracy of the sustainability information reported by companies. Today, much of sustainability reporting is not subject to assurance.

42 For more on assurance and the need to avoid "greenwashing" when reporting on tax see page 9 of our previous report

Final thoughts

We commend the progress made by many companies actively driving tax transparency through their conversations with and disclosures to internal and external stakeholders. Companies are seeking innovative ways to demonstrate their commitment to being responsible taxpayers through active, responsible citizenship.

In an environment where companies want to see governments use tax money effectively to support their businesses and the country's socio-economic development, consideration should be given to expanding the disclosure of their overall contribution, moving towards a total impact. This involves looking beyond outputs, such as taxes borne and collected, to outcomes, where your footprint to quantify and monetise results is understood, and impacts, which arise directly from business's activities and plans and indirectly affect customers, other organisations in the supply chain and other stakeholders.

In the context of tax reporting, this may involve demonstrating the company's contributions to public services and infrastructure or highlighting the induced taxes downstream that result from a company's activities.

Our view remains that a company's tax disclosure should be determined by who its stakeholders are and for what purpose it is providing the disclosure. What is the company already obliged to disclose? What additional information can help to tell the whole story? For some the journey is only starting. Others are considering how to move the needle to **rethink, reinvent, and remain relevant**.

Contact us

Carla Perry

Senior Manager I Tax Reporting and Governance Specialist

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

Kerneesha Naidoo

Manager I Tax Reporting and Strategy

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

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(24-30941)