Spring 2017

Tax Transparency and Corporate Tax Avoidance

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Tax Transparency and Corporate Tax Avoidance

Abstract
This analysis will look into the emerging global trend for increased tax transparency from large businesses and corporations. Tax transparency has been a growing topic globally and there has been some recent progress in several countries. This analysis will begin by looking into the motivation behind increasing the amount of transparency around a business’ tax affairs. After exploring some key driving factors, a few of the new major tax initiatives and the details encompassed in them will be discussed. The specific countries that will be focused on are the United States, Australia, and the United Kingdom.

Overall, this analysis is intended to be an unbiased look into the present developments occurring on how large businesses should deal with their tax affairs. It is apparent that the issue of tax transparency is being addressed in various ways in different countries, and barely addressed at all in some. The future of corporate tax transparency is unclear, but changes are being implemented today that must be followed in order to see their full impact in the future. This analysis will also briefly look into the impact that increasing tax transparency has had so far as well as possible speculations for the future.

Subject Categories
Accounting | Taxation
Tax Transparency and Corporate Tax Avoidance

Taylor A. Witkiewicz

Faculty Advisor: Professor John Hasseldine

Honors Thesis

Department of Accounting

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University of New Hampshire
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I. INTRODUCTION
A Brief History of Tax Transparency Trends

Corporate taxation has long been an extremely complex and demanding issue in business. Many multinational corporations have recently faced scrutiny for not being transparent enough to regulators and to the public about their tax affairs. Extremely well known and successful companies such as Apple Inc., Starbucks, Amazon, Google, and others have been investigated for unethical tax behavior. These companies have advantageously used complex corporate tax rules, tax loopholes, and tax havens to aid them in corporate tax avoidance. Although many of their actions have not been illegal, these companies have faced great scrutiny and damage to their reputations for not paying what some to believe to be “a fair share of taxes.”

Governments in some countries have responded with tax codes for large businesses to adopt in order to become more transparent with their taxes. Initiatives such as these for increased corporate tax transparency are still in the initial phases, therefore it is difficult to determine what their full impact will be as time passes. It is possible the new initiatives will be successful in increasing transparency and reducing the improper tax dealings some businesses have been involved in. There is also a chance these actions will simply become a “check the box” rule for corporations to follow, but not really create much change. This analysis will attempt to look deeply into the new transparency initiatives as well as their potential impact. It will be important for corporations globally to watch and comply with emerging regulations and be prepared for changing standards on tax transparency.
Thesis Structure

This analysis will look into the emerging global trend for increased tax transparency from large businesses and corporations. Tax transparency has been a growing topic globally and there has been some recent progress in several countries. This analysis will begin by looking into the motivation behind increasing the amount of transparency around a business’ tax affairs. After exploring some key driving factors, a few of the new major tax initiatives and the details encompassed in them will be discussed. The specific countries that will be focused on are the United States, Australia, and the United Kingdom.

Overall, this analysis is intended to be an unbiased look into the present developments occurring on how large businesses should deal with their tax affairs. It is apparent that the issue of tax transparency is being addressed in various ways in different countries, and barely addressed at all in some. The future of corporate tax transparency is unclear, but changes are being implemented today that must be followed in order to see their full impact in the future. This analysis will also briefly look into the impact that increasing tax transparency has had so far as well as possible speculations for the future.

II. GROWTH OF THE MOVEMENT TOWARD GREATER TAX TRANSPARENCY

The global recession that shocked the world in 2008 was a large contributing factor behind the demand for greater tax transparency. After this extreme downturn of the economy during the financial crisis of 2008, much of the trust that was previously placed in the financial sector was lost. The loss of trust urged tax authorities to start requiring taxpayers to be more transparent. In 2009 there was a large increase in the number of Tax
Information Exchange Agreements all around the world. (Kuhn, S. 2014). This was mainly due to the global economy suffering the severe effects of the financial crisis at that time and governments were seeking additional tax revenues. Many countries also joined the Global Forum on Transparency and Exchange of Information for Tax Purposes to fight tax evasion following the financial crisis. This Global Forum was developed by the Organization for Economic Co-operation and Development (OECD) and today has over 130 members. (Organization for Economic Co-operation and Development, 2016).

**Country-by-Country Reporting**

The OECD is also responsible for many other global tax transparency initiatives. One of the most influential has been the base Erosion and Profit Shifting (BEPS) Action Plan that the OECD adopted in 2013. The BEPS Action 13 report includes a framework for Country-by-Country (CbC) reporting to create more tax transparency. Country-by-Country reporting promotes enhanced tax transparency from multinational enterprises. These multinational enterprises are required under the CbC reporting standards to share information with the tax authorities in each country where their business has a tax presence. Making the tax affairs of multinational enterprises much more transparent through CbC reporting is a response to the some of the public scrutiny on tax avoidance.

A main focus behind Country-by-Country reporting is to eliminate, or at the very least minimize the amount of information asymmetry in tax discussions. Country-by-Country reporting also shines a light on some unfair tax practices such as the use of tax havens and profit shifting through the practice of transfer pricing. For example, CbC reporting requires that transfer-pricing documents contain three files; a master file, a local
file, and a CbC report. This approach improves transparency toward tax authorities. (Organization for Economic Co-operation and Development, 2015).

**Tax Activists**

Aside from tax authorities and regulators moving toward a world of greater tax transparency, there are tax activists and important business stakeholders that are also demanding businesses to be more tax transparent. For example, many of the typical users of the financial statements for a business such as shareholders, creditors, and analysts are asking for increased tax transparency. Tax activists as well are becoming increasingly proficient in interpreting the financial statements of a business and determining a company’s tax contribution. Other business stakeholders including consumers, the media, government officials, and international organizations have also showed signs calling for businesses to become more transparent with their tax affairs. Many of these stakeholders are concerned with how companies are contributing to the economy and whether or not their tax contribution is acceptable. (Ernst & Young, 2013).

The demand for transparency from tax activists and other concerned individuals has sparked a global movement for greater tax transparency from large and multinational companies. Groups of activists all around the world are encouraging a greater amount of tax transparency from businesses. These tax activists are pushing to expose a flawed global system that is failing to adequately tax such large and multinational companies. The growing demand for enhanced transparency and the disclosure of tax related information is being addressed in initiatives such as Country-by-Country reporting. Overall, the global tax function is rapidly changing and the movement for improved transparency is evident.
III. THE UNITED KINGDOM

The United Kingdom has been a leader in the movement for greater tax transparency. They have introduced multiple transparency initiatives in the past and only continue to lead the world into the future. They were the first country to introduce a public register that contained information on who owns what companies located in the UK. The United Kingdom was also the first country to publically commit to adopting country-by-country reporting. Country by country reporting is a requirement that comes from the Organization for Economic Co-operation and Development (OECD). Other tax transparency initiatives from the United Kingdom include a voluntary banking code and most recently a mandatory requirement for large businesses to publish their tax strategy.

The Banking Code

In 2009, the United Kingdom introduced The Code of Practice on Taxation for Banks. This was a voluntary banking code meant to encourage banks to follow the letter and spirit of the law as it relates to their tax planning. Although the banking code is voluntary, the British government aims for all banks in the UK and any similar organizations that undertake banking activities to adopt the code. The main areas that are covered in The Code of Practice on Taxation for Banks are governance, tax planning, and the bank’s relationship with Her Majesty’s Revenue and Customs (HMRC).

In 2013, the banking code was further strengthened to put forward greater transparency with banks. This code strengthening required banks to more fully commit to the obligations required of them when signing up for the code. For example, now an independent reviewer would need to analyze potential breaches of the code and a naming of any banks that did breach the code was possible. Another way the code was
strengthened was by requiring HM Revenue and Customs to come out with more regular reporting on how banks are complying with the code. This reporting change was amended again in 2015 to require HMRC to report on the compliance and the operations of the code on an annual basis. The banks that have adopted the code must be identified as well as those that have not adopted the code. HMRC is also responsible for monitoring bank compliance with the code and incorporating any breach of the code commitments into the report. (HM Revenues & Customs, 2013).

Example

**Tax**

Barclays is committed to contributing to the economies of the countries in which we operate through the payment of tax. We have a fiduciary duty to manage our tax affairs responsibly and recognise that a balance is required in servicing the needs of different stakeholders and the bank. We also provide customers and clients with tax solutions that support their activities and assist planning and risk management. In doing this we comply with the UK Code of Practice on Taxation for Banks and our own Tax Principles.

*Within Barclays we believe that tax planning for customers, clients and on our own account must:*

● Support genuine commercial activity
● Comply with generally accepted custom and practice, in addition to the law and the UK Code of Practice on Taxation for Banks
● Be of a type that the tax authorities would expect
● Only take place with customers and clients sophisticated enough to assess the risks
● Be consistent with, and be seen to be consistent with, our Purpose and Values.

Should any of these principles be threatened, we will not proceed, regardless of the commercial implications.

**Protecting Barclays’ assets**

All colleagues are custodians of Barclays’ property and assets including its brand and intellectual property and have a responsibility to ensure they are used for Barclays’ legitimate business purposes only.

**Colleagues must not:**

● Make use of Barclays’ assets for personal gain e.g., taking or using funds or other resources, or using or disclosing information, for their own or others’ benefit
● Borrow or remove property from our premises without prior approval
● Use branded stationery, goods, or other media for unofficial purposes
● Use Barclays’ systems to access, download or forward inappropriate internet content or send inappropriate communications
● Use third party assets, including third party brands or other intellectual property, unlawfully.

(HM Revenues & Customs, 2013)
Barclays is one of the many big banks in the United Kingdom that complies with the banking code. Above is an excerpt from a summary about Barclays’ purpose and company values. This summary was created by Barclays to inform the public how they conduct business. The section included here relates to their adoption of the Code of Practice on Taxation. (Barclays, 2015).

**Royal Assent of Finance Bill 2016**

The United Kingdom has taken further steps to ensure companies provide greater tax transparency with a recent requirement included in the Royal Assent Finance Bill 2016. On September 15, 2016 the Finance Act received royal assent, making the bill an act of parliament (law). The Finance Bill 2016 includes a mandatory requirement for large businesses to publish their tax strategy online. The bill comes from the United Kingdom government and Her Majesty’s Revenue and Customs. HMRC is a non-ministerial department of the United Kingdom government. HMRC is responsible for administering and collecting taxes in the UK as well as other duties relating to payments and customs. HM Revenues and Customs is committed to making sure that large businesses in the United Kingdom are held publicly accountable for meeting their UK tax compliance obligations. Requiring large businesses to make their tax strategy available to the public is a way for HMRC to force accountability onto these large UK companies. This requirement has a strong impact on advancing the demand for greater tax transparency, as it is mandatory for certain businesses. (Ernst and Young, 2016).

**Who must disclose**

The legislation affects over 2,000 UK businesses and equally applies to permanent establishments, companies, partnerships, groups and sub-groups. Any relevant
body with either a balance sheet over £2 billion or turnover above £200 million in the previous tax year is required to publish their tax strategy. Groups and sub-groups must use the combined totals of all pertinent bodies and it is the responsibility of the head of the group or sub-group to determine if the threshold is met and then to publish the tax strategy if necessary. For all other businesses, each business itself is responsible for determining whether or not it meets the threshold for publishing and also for publishing their strategy if needed. The businesses that are not required to publish their tax strategy under this requirement are open-ended investment companies and investment trusts. (HM Revenues & Customs, 2016).

**How and when to publish**

For the UK companies that meet the threshold, their tax strategy needs to be made available to the public by being published annually on the Internet. The tax strategy can be published as either its own separate document or included as a self-contained part of a wider document. Each business’s strategy must be made available for free but it does not need to be called a strategy. (HM Revenues & Customs, 2016).

Businesses are responsible for publishing their first strategy before the end of their first fiscal year that began after the Royal Assent of Finance Bill 2016. Each year after the first strategy, a new tax strategy must be published. Each new publishing needs to be within fifteen months of the last, and the old strategy must remain available until the strategy for the next fiscal year has been published. HMRC defines a tax strategy as being published once it is first put on the Internet. (HM Revenues & Customs, 2016).

**What to include**
There are some specific points related to UK taxation that must be embodied in each business’ tax strategy. A business can choose to add other supplementary information to help readers better understand the context or for greater added value, but certain areas are required to be included. Overall, the strategy is intended to better explain the tax arrangements for each business. Some of the main areas that are necessary to include are the business attitude towards tax planning, applicable tax risks, managing those tax risks, and working together with HM Revenue and Customs. (Clegg & Sauvage, 2016).

If a business has a code of conduct, they should include what their code entails as part of their attitude toward tax planning. This section of the tax strategy can also include any information on why the strategy is important to the business, an overview of their motives for tax planning, and their reasoning if they plan on seeking tax advice from an external source. For groups and sub-groups, the overall approach of the group for structuring tax planning should be included. (HM Revenues & Customs, 2016).

The level of risk that the business is exposed to and their attitude toward risk management must also be included in the tax strategy. Each business should discuss the level of risk they are willing to accept and also the tax risks that they are most exposed to due to their area of business, complexity, size, or any business changes. Details on how the company is managing these tax risks such as the roles and responsibilities of key individuals are another item to include in the strategy. This section should also include descriptions of oversight, the business’ board, and any other controls that are in place to help manage risks. Businesses must also include the level of acceptable tax risk laid out by their internal governance and the influence that shareholders have had on it.
The approach that the business takes with its dealings with HMRC is another required section of the tax strategy. The Customer Relationship Manager (CRM) for each business already understands this approach, but it still must also be published within the strategy. The approach should cover the efforts taken by the business to work with HMRC on tax events, any current events, and interpreting the law. (HM Revenues & Customs, 2016).

The requirements of what a business needs to include in the tax strategy are pretty in depth, but a business does not need to publish the amounts of taxes paid or commercially sensitive information as part of the strategy. Businesses that are a part of multinational groups should include any information relevant to UK tax. For partnerships, HMRC is interested in how the partnership as a whole conducts its tax affairs.

**Penalties**

There are existing penalties if the requirement to publish your tax strategy is not followed. Businesses can be penalized for not publishing their strategy correctly, on time, or if their previous strategy does not remain available online until the next strategy is published. If any of these conditions are violated, HMRC will send out a warning to notify that company that they have 30 days to fix the violation. This warning notice is free of charge, but the price of the penalty increases as time goes on.

The duration of a penalty begins on the first day that the company failed to properly file their tax strategy. For the first six months, the penalty is up to £7,500. Then from six months to twelve months there is another additional penalty of up to £7,500. Finally for every month following the twelve-month mark there is an additional penalty
of £7,500 each month. These hefty penalties encourage large businesses to comply with posting their tax strategy, but businesses are also able to try and appeal any penalty that they do not believe they should have. Aside from these financial penalties there are also possible impacts on a company’s reputation that can stem from non-compliance. (HM Revenues & Customs, 2016).

**Example of UK company tax strategy**
Wood Group Tax Strategy – Year ending 31 December 2016

3.0 Group Tax Code of Conduct

This Group Tax Code of Conduct (CoC) outlines the principles setting out how Wood Group people are expected to operate with respect to tax matters in support of the above Group Tax Policy. Non-adherence to this CoC could constitute a disciplinary matter, potentially leading to sanctions up to and including dismissal. The Group Tax CoC is set out in detail below.

1. Compliance with laws, rules and regulations.
Wood Group is committed to observing all applicable laws, rules, regulations, and reporting and disclosure requirements, wherever there is a requirement to do so as a result of our business presence and transactions, in line with our Integrity Core Value. Importantly, a dedicated tax team (Group Tax) will collaborate with the Group’s businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary. There are clear management responsibilities, backed up by regular monitoring and review, carried out by members of Group Tax with the necessary experience and skill set.

2. Consistency with Group strategy
Tax decisions will be made at all times in a manner which is consistent with and complements the Group’s overall strategy. Key business decisions should be made cognisant of the tax consequences and with the aim of optimising the after-tax returns for the Group’s shareholders. Group Tax will partner with the businesses to ensure there is that consistency.

3. Governance, Assurance and Tax Risk Management
Responsibility and accountability for the Group’s tax affairs is clearly defined in accordance with a Tax Responsibility Matrix, and decisions will be taken at an appropriate level, determined by formal Group Delegation of Authority.

Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

In reviewing the risks of a tax action or decision, always bearing in mind the requirements of the Group Tax Policy, the following would be considered:

- the legal and fiduciary duties of directors and employees
- the requirements of our Group Core Values and policies such as the Group Ethics Policy
- the maintenance of corporate reputation, having particular regard to the principles embodied in the Group’s Social Responsibility Core Value regarding the way we interact with the communities around us
- the tax benefits and impact on the Group’s reported result comparative to the potential financial costs involved, including the risk of penalties and interest
- the wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them.

Group Tax will employ various risk management processes and systems to provide assurance that the requirements of the Group Tax Policy are being met. This will include compliance and risk monitoring systems and internal audit reviews of tax compliance activity across the Group.
Wood Group Tax Strategy – Year ending 31 December 2016

3.0 Group Tax Code of Conduct (continued)

4. Relationships with tax authorities
Wood Group is committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever we operate around the world. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

5. Incentives and reliefs
Wood Group believes that it should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Group will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible.

6. UK context
On 9 December 2015, HMRC in the UK published a draft Framework for Cooperative Compliance in the UK, following a consultation process titled “Improving Large Business Tax Compliance”. In particular, this addresses the relationship between large businesses and HMRC in the UK, and promotes best practice in a business’ governance over its UK tax affairs. This Group Tax Strategy aligns with the published draft. In particular, Wood Group commits to:

• adopt open and collaborative professional relationships at all times with HMRC;
• engage in full, open and early dialogue with HMRC to discuss tax planning, strategy, risks and significant transactions;
• make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion;
• seek to resolve issues with HMRC in real time and before returns are filed if possible, and where disagreements arise, work with HMRC to resolve issues by agreement (where possible);
• be open and transparent about decision-making, governance and tax planning;
• reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of Parliament; and
• interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship;
IV. AUSTRALIA

The Tax Transparency Code

Australia is another country that has recently taken further measures to improve tax transparency. The Board of Taxation developed the Tax Transparency Code (TTC) that was later endorsed by the Australian government in the Federal Budget of 2016-2017. The main idea behind the code is to enhance the current tax transparency measures that are in place in Australia by setting standards for the public disclosure of a business’ tax information. Specifically, the TTC aims to strengthen the general public’s knowledge of how the corporate sector is complying with Australia’s tax laws and increase the level of tax transparency for the corporate sector and multinational companies. The Board of Taxation encourages all businesses to be transparent about their tax affairs and believes that adopting the TTC will help meet this objective. The Board also plans for the Tax Transparency Code to continue to evolve over time and respond to any major changes or developments in global tax transparency initiatives. (Australian Taxation Office, 2016).

The TTC is a voluntary code and therefore no company is forced to adopt it and comply with the underlying transparency principles. The Board of Taxation has chosen not to make the code mandatory in order to encourage the board of directors and senior management of each business to be actively involved in the decision of whether or not to adopt the code. The Board also wants the code to remain voluntary so it is not considered a compliance activity and assigned to lower levels of the organization. (Deloitte, 2016).

Who must disclose
In its current form, the Tax Transparency Code applies to any entity that is treated as a company for Australian tax purposes, and also entities like partnerships, trusts, and superannuation funds. The main focus, though, of the TTC is toward larger businesses because there is a much greater public interest in the tax affairs of larger businesses. This includes both Australian-headquartered businesses as well as foreign multinational businesses. (The Australian Government the Treasury, 2016).

The TTC is designed to target two distinct levels, large and medium businesses. A large business is classified as having an aggregated Australian turnover of A$500 million or more. Any business with aggregated Australian turnover of A$100 million or greater, but less than A$500 million is categorized as a medium business. For the purposes of the Code, aggregated Australian turnover is defined as your business’ annual income plus the annual turnover of any entity connected with your business or that is an affiliate of your business. Any business that meets these requirements for being a medium or large business may become more transparent by adopting the principles of the code, but the minimum standards of publishing differ depending on the size of the business. (The Australian Government the Treasury, 2016).

**How and when to publish**

There is not any designated timing requirement for when businesses should publish their annual TTC reports. Once a business has made their report available to the public, they should take the steps in order to notify The Australian Taxation Office (ATO). The notification to the ATO should include the name of the business and if it is classified as a medium or large entity. A URL link to the TTC report, as well as the origin
of the ultimate parent company, and whether or not the minimum standards under Part A and Part B have been met should also be addressed in the notification.

The Australian government released the final report from the Board of Taxation on the TTC on May 3, 2016. It is recommended that businesses now adopt the TTC for any financial years ending after this date of the release. There is not a specific format for how the content of the TTC report should be presented. A business can decide to create a separate document to satisfy the minimum standards of the TTC or they can publish improved tax disclosures in their financial statements or taxes paid report. (Australian Taxation Office, 2016).

What to include

The TTC lays out the minimum standard for what tax information a business should publish. This minimum standard is different depending on the size of the business. Businesses can also choose to add to this basic set of principles laid out in the TTC by adding additional tax disclosures in their report. Medium businesses should adopt Part A of the Code while large businesses are encouraged to adopt both Part A and Part B of the Code. (Australian Taxation Office, 2016).

Part A

The contents of Part A are the minimum standards of information that relate to a business’s effective tax rates and reconciling their accounting profit to income tax paid or payable. Both large and medium businesses should publish a reconciliation of their accounting profit to income tax expense. Then from the reconciled income tax expense, the business should disclose either income tax paid or income tax payable. The
identification of any material temporary or non-temporary differences should also be addressed in this reconciliation.

The section of the TTC report on effective tax rates should consist of the rates the business uses for its Australian and its global operations. The calculation for the effective tax rates uses the business’s income tax expense and divides it by their accounting profit. Using this calculation will allow users of the TTC report to easily compare the effective tax rate to other companies and to the company tax rate. Businesses should calculate and disclose an Australian effective tax rate and a global effective rate. The global effective tax rate, for the worldwide accounting consolidated group, is recommended to be calculated based on the company tax expense. Businesses should also describe what was used as the basis of the calculation for their disclosed effective tax rate since the calculation has the potential to be misleading to the public. (The Australian Government the Treasury, 2016).

**Example of medium business**
Reconciliation of Accounting Profit to Income Tax Expense

The income tax expense (ITE) disclosed in the Fairfax Media Annual Report is calculated based on International Financial Reporting Standards (IFRS). In any financial year, there are likely to be differences between the ITE presented in the financial statements to the total cash tax payments made to revenue authorities during that same financial year.

This is due to a number of factors, such as the timing of corporate tax instalment payments, and differences between the tax and accounting treatment of various income and expense items. The ITE for Fairfax is also reduced by the R&D tax offset available in Australia.

These differences are illustrated in the two tables set out below. The first table contains the calculation of ITE for Fairfax for accounts purposes disclosed in the consolidated income statement in the Annual Report (refer Note 25 at page 119 of the Annual Report). The second table set out below contains a reconciliation of ITE per the Fairfax consolidated income statement to income tax paid in the 2016 financial year per the consolidated cash flow statement.

<table>
<thead>
<tr>
<th>Fairfax Media Limited and Controlled Entities</th>
<th>26 June 2016</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit/(loss) before income tax expense</td>
<td>(910,373)</td>
<td></td>
</tr>
<tr>
<td>Prima facie income tax at 30%</td>
<td>(273,112)</td>
<td></td>
</tr>
<tr>
<td><strong>Tax effect of differences:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net (profit)/loss from associates and JVs</td>
<td>(1,003)</td>
<td></td>
</tr>
<tr>
<td>Capital gains not taxable</td>
<td>(623)</td>
<td></td>
</tr>
<tr>
<td>Non-assessable external dividends (unearned portion)</td>
<td>824</td>
<td></td>
</tr>
<tr>
<td>Adjustments in respect of current income tax of previous years*</td>
<td>(572)</td>
<td></td>
</tr>
<tr>
<td>Temporary differences not recognised on intangible and other asset write-offs</td>
<td>244,914</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income tax expense/(benefit)</strong></td>
<td></td>
<td>(27,186)</td>
</tr>
</tbody>
</table>

* The adjustment includes $2.8m of prior year R&D claims finalised in the current year.

The major components of Income tax expense in the Income statement are:

- Current income tax expense: 32,701
- Deferred income tax expense: (59,315)
- Adjustments in respect of current income tax previous years: (572)
- Income tax expense/(benefit) in the income statement: (27,186)
Reconciliation of Income Tax Expense to Income Tax Paid

<table>
<thead>
<tr>
<th></th>
<th>26-Jun-16</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense/(benefit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(27,326)</td>
<td>133</td>
<td>7</td>
<td>(27,186)</td>
</tr>
<tr>
<td>Timing differences recognised in deferred tax</td>
<td>51,657</td>
<td>8,033</td>
<td>(7)</td>
<td>59,683</td>
</tr>
<tr>
<td>Prior year tax instalments paid in FY16</td>
<td>17,032</td>
<td>1,454</td>
<td></td>
<td>18,486</td>
</tr>
<tr>
<td>Tax Paid per Cash Flow Statement</td>
<td>41,363</td>
<td>9,620</td>
<td>(0)</td>
<td>50,983</td>
</tr>
</tbody>
</table>

Effective Tax Rate

We consider that the most meaningful representation of Fairfax’s effective tax rate (ETR) is illustrated where the ETR is calculated based on underlying earnings before tax, rather than the statutory profit/loss before tax. Fairfax reported a loss for statutory accounts purposes and an income tax benefit for 2016. The accounting loss was largely driven by significant items being impairments of assets. Impairments are accounting adjustments which do not have a tax impact.

Our effective corporate income tax rate on total underlying earnings was 29.28%.

A reconciliation of Fairfax’s statutory to underlying performance is set out on page 59 of the Annual Report. Fairfax’s net profit before tax on underlying earnings for 2016 was $202.1m. ITE on those underlying earnings was $59.17m.

The effective tax rate is impacted by the fact that the corporate tax rate applicable to NZ income (28%) is less than the Australian rate.

Our effective corporate income tax rate on Australian underlying earnings was 27.9%.

Fairfax’s net profit before tax on Australian underlying earnings for 2016 was $151.7m. ITE on those underlying earnings was $42.4m. This ETR is less than the statutory rate of 30% primarily due to the impact of the Research and Development (R&D) tax incentive.

(Fairfax Media Limited, 2016).
Part B

Under the Tax Transparency Code, large businesses need to disclose more information than medium businesses, and therefore are encouraged to also adopt Part B. The minimum standards of information for Part B of the Code include the business’ tax strategy, total tax contribution, and any relevant international dealings.

In the section of the TTC report on the business’s tax strategy, basic information on their tax policy and governance should also be discussed. This section should include the approach that the business takes for risk management and for any governance arrangements. The business’ attitude toward tax planning and how much tax risk they are willing to accept are other factors to include. Finally, the business should disclose their approach to involvement with the Australian Taxation Office. (The Australian Government the Treasury, 2016).

The section on the business’ total tax contribution has a few key elements to be included and also some optional elements. The biggest key element is for the business to disclose their Australian corporate income tax. Since the tax contribution to Australia from each business is more than just their corporate income tax, there is an option to also disclose other payments to the Government such as other Australian taxes. Additionally, disclosing Government taxes or fees that have been collected by the business on the behalf of others is also an option. It is suggested that businesses use diagrams or other visual aids to help them better communicate the information in this section to the general public. (The Australian Government the Treasury, 2016).

Part B of the Code should also consist of a summary of related international party dealings. Any dealings with offshore related parties that materially impact the business’s
Australian taxable income would be disclosed in this section. This includes a description of the nature of the international dealings and the country where the related party is located. (The Australian Government the Treasury, 2016).

Example of large business

Tabcorp and Taxes

Tabcorp is a leading Australian gambling entertainment company that operates across three diversified businesses: Wagering and Media, Gaming Services and Keno.

Tabcorp returns a substantial amount of its revenue to the community through the gambling taxes levied on its operations.

Tabcorp has adopted the Board of Taxation’s Voluntary Tax Transparency Code of February 2016, and makes the disclosures below in accordance with that code.

The information provided below relates to the year ended 30 June 2016:

Part A
A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable, including identification of material temporary and non-temporary differences

<table>
<thead>
<tr>
<th></th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax expense</td>
<td>231.1</td>
</tr>
<tr>
<td>Income tax payable at the 30% company tax rate</td>
<td>(69.3)</td>
</tr>
<tr>
<td>Tax effect of adjustments in calculating taxable income:</td>
<td></td>
</tr>
<tr>
<td>– amortisation of Victorian wagering licences</td>
<td>(11.7)</td>
</tr>
<tr>
<td>– research and development claims</td>
<td>7.6</td>
</tr>
<tr>
<td>– NSW retail exclusivity payment settlement</td>
<td>7.5</td>
</tr>
<tr>
<td>– other</td>
<td>4.5</td>
</tr>
<tr>
<td>Income tax (expense)/benefit</td>
<td>(61.4)</td>
</tr>
</tbody>
</table>

Adjustments in respect of current income tax of previous years

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>– research and development claim refunds</td>
<td>(7.6)</td>
</tr>
<tr>
<td>– NSW retail exclusivity payment refunds</td>
<td>(3.0)</td>
</tr>
<tr>
<td>– other</td>
<td>(2.0)</td>
</tr>
</tbody>
</table>

Deferred tax balance movements

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current period tax payable (before FITO)</td>
<td>(74.1)</td>
</tr>
<tr>
<td>Foreign income tax offset (FITO) expected</td>
<td>2.3</td>
</tr>
<tr>
<td>Current period tax payable</td>
<td>(71.8)</td>
</tr>
</tbody>
</table>

Accounting effective company tax rates for Australian and global operations (pursuant to AASB guidance)

<table>
<thead>
<tr>
<th></th>
<th>Global operations ETR</th>
<th>Australian operations ETR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26.6%</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

Tabcorp Holdings Ltd tabcorp.com.au ABN 66 063 780 709
Part B

Approach to tax strategy and governance

Tabcorp adopts a conservative and cautious approach to tax risk management. It maintains a comprehensive Tax Risk Management policies and procedures manual, which it has shared with the Australian Taxation Office (ATO).

The objective of Tabcorp’s tax strategy is to ensure that shareholders’ best interests are served by the correct amount of taxes being paid at the right time in the countries in or through which Tabcorp group members operate.

Tabcorp’s tax strategy principles are:
- Tabcorp aims to ensure full compliance with all of its statutory tax obligations.
- Tabcorp seeks to maximise shareholder value, while operating in accordance with the law.
- Tabcorp manages its tax risk and tax affairs in a proactive manner.
- Tabcorp seeks to maintain professional and open relations with tax authorities.
- Tabcorp considers reputation risk and stakeholder interests in assessing tax risk.
- For international operations, profits are allocated and taxed where the value is created.

Tax contribution summary for corporate taxes paid

<table>
<thead>
<tr>
<th>Tax or impost</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes</td>
<td>61.4</td>
</tr>
<tr>
<td>Gambling taxes</td>
<td>428.6</td>
</tr>
<tr>
<td>Returns to the racing industry:</td>
<td></td>
</tr>
<tr>
<td>– Victoria</td>
<td>331.2</td>
</tr>
<tr>
<td>– NSW</td>
<td>290.8</td>
</tr>
<tr>
<td>– Race fields fees</td>
<td>94.8</td>
</tr>
<tr>
<td>– Media &amp; International</td>
<td>70.1</td>
</tr>
<tr>
<td><strong>Total returns to the racing industry</strong></td>
<td><strong>786.9</strong></td>
</tr>
</tbody>
</table>

Information about international related party dealings

As a large taxpayer, Tabcorp is under constant review by the ATO. Its international related party dealings are disclosed to the ATO as part of this review process. The latest pre-lodgement compliance review concluded by the ATO was for the year ended 30 June 2015 and, although continuing to keep a close watch on all international related party dealings, the ATO has not sought to challenge the commerciality of those transactions in the year under review.

- Tabcorp holds a 50% interest in Premier Gateway International (PGI), located in the Isle of Man. PGI operates as an international hub for pari-mutuel betting.
- Tabcorp owns Sky Racing World LLC (SRW), located in the USA. SRW operates as a race coverage distributor.
- Tabcorp owns Tukcorp, operating with News Limited under the Sun BETS brand in the United Kingdom. Sun BETS offers online sports betting and casino games to residents of the UK and Ireland.

All transactions between Tabcorp and these international related parties are conducted, priced and documented on an arm’s length basis having regard to Australian transfer pricing laws.

(Tabcorp, 2016).
Penalties

The Tax Transparency Code is not a mandatory code and so there are no financial penalties for failing to comply with the TTC or for making the report available to the public. There are also no financial penalties for providing misleading information within your business’ TTC report. Instead, the TTC is a voluntary guide that sets out the minimum standards for businesses that decide to disclose additional tax information in order to be more transparent about their tax affairs. (PricewaterhouseCoopers, 2015).

V. THE UNITED STATES

Compared to the mandatory tax code in the United Kingdom and the voluntary code in Australia, the United States is lagging in requiring greater tax transparency for their large businesses. There have been some tax transparency initiatives in the United States, but they have not gone to the same lengths as the actions taken in other countries. For example, there is not yet a new specific code, either mandatory or voluntary, to push for greater tax transparency from corporations in the United States.

FIN 48

In the first quarter of 2007, the Financial Accounting Standards Board (FASB) enacted the tax disclosure, Interpretation No. 48 (FIN 48), in the United States. This development was in response to the general public’s desire for greater tax transparency following the accounting scandals in the United States in the early 2000’s. FIN 48 addresses accounting for uncertainty in income taxes by requiring an evaluation of all income taxes in a two-step process. The first step of the process is recognition and the second step is measurement. (Accounting Web, 2007). Under this process, all unrecognized tax benefits must be disclosed in the financial statement tax footnotes both
quarterly and annually. Changes in tax reserves resulting from settlements or expiring statutes of limitations also need to be disclosed. These disclosures required under FIN 48 supplement the company’s information on tax position transparency that is included in the Form 10-K. The intent behind FIN 48 is to push for greater consistency and tax transparency among companies. (Alexander, 2013).

**Foreign Account Tax Compliance Act**

Another more recent initiative in the U.S. is the Foreign Account Tax Compliance Act (FATCA). This legislation was part of the HIRE law, which passed the House and was signed into law by President Obama in 2010. (Internal Revenue Service, 2016). The FATCA was aimed at Americans with financial assets held outside of the United States. It requires U.S. taxpayers with foreign financial assets over a certain amount to report them to the Internal Revenue Service. Foreign financial firms are also required to disclose their U.S. clients. The main purpose of the FATCA was to create new self-reporting initiatives for these Americans and to increase the penalties for failing to fully comply with reporting rules. The FATCA was a measurement toward greater tax transparency, but it mainly focused on foreign, not United States’ large businesses. (Alexander, 2013).

**Dodd-Frank Wall Street Reform and Consumer Protection Act**

One more tax transparency initiative that was passed in the United States is The Dodd-Frank Wall Street Reform and Consumer Protection Act. This legislation was also passed into law in 2010 by the Obama administration as a direct response to the financial crisis of 2008. It brought about significant regulatory changes in the American financial regulatory environment. The Dodd-Frank Act was made up of multiple sections and included provisions to increase the level of the public disclosure of tax information.
Financial institutions were the main focus of the act, but elements were also included that required public tax disclosure from extractive industries as well. (Amadeo, 2017).

President Trump has pledged to repeal at least parts if not the entire regulation completely as he believes this act went too far. He signed an executive order on February 3rd, 2017 that asked the United States Treasury Department to revise the Dodd-Frank regulations. President Trump and his cabinet members are insisting that banks no longer need the level of supervision and rules set out by the Dodd-Frank Act. Many of the Dodd-Frank rules have been incorporated into international banking agreements so they may be more difficult to reverse, but nonetheless President Trump has signaled for less enforcement of the Dodd-Frank regulations. This creates a lot of uncertainty for the future of tax requirements in the United States and how President Donald Trump is going to affect the level of tax transparency. (Amadeo, 2017).

**Questions of US Tax Reform**

Although there have been some tax requirements put into place for businesses, the United States is still behind compared to other countries in the movement toward greater tax transparency. There has also been a great deal of talk surrounding the topic of a tax reform in the United States. After being inaugurated on January 20th, 2017, President Donald Trump and his administration have made many announcements having to do with tax reform. Change could very possibly be on the forefront for tax dealings in the United States, but at this point in time it is difficult to anticipate exactly what that change will be and when it will take place.
There is no new tax code initiative currently taking place to encourage United States’ businesses to become more transparent with their taxes. There is also not much public talk of a change being enacted in the near future. United States’ businesses are also not currently encouraged to be transparent with their taxes to the general public, as they are in countries such as Australia and the United Kingdom, only toward the governing agencies. Another factor that might indicate the United States is lagging behind other countries on tax transparency is that U.S. companies are allowed to file consolidated financial statements. The Securities and Exchange Commission (SEC) allows consolidated financial statement to be provided rather than company financial statements. This enables registered companies in the United States to obscure their intra-company transactions and possibly reduce their tax liabilities in doing so. (Alexander, 2013).

Apple Inc.

Despite not currently having a tax code in place to improve transparency of businesses in the United States, U.S. companies have still been facing scrutiny for their tax affairs. One major tax scandal to consider is with Apple Inc. Apple is an American multinational technology company that is a giant leader in designing, manufacturing, and marketing innovative electronics. This extremely successful company was investigated in 2013 for their tax affairs. The main issue under investigation was Apple Inc.’s use of tax loopholes to avoid U.S. taxation. (Alexander, 2013).

There was a Senate hearing that began on May 21st, 2013 where top executives from Apple attended and defended their offshore tax affairs. The CEO of Apple, Tim Cook, claimed that Apple had complied with the law and paid all of the taxes that it owed. Apple had been using tax loopholes including offshore tax havens, cost-sharing
agreements, and manipulating transfer pricing rules in order to avoid taxation. The company had enormous cash hoards held offshore in Irish subsidiaries. This allowed Apple to report to the IRS that the majority of their profits are in Ireland, which therefore “defers” the U.S. taxes on those profits. At the same time, the Irish subsidiary is controlled by Apple Inc. in the United States so Ireland treats it as a U.S. corporation, meaning that it is not subject to Irish tax laws. This is just one way that Apple Inc. used international tax strategies and loopholes to avoid taxation. Even though Apple’s profits should be taxable in the United States, a majority of their profits had been worked around the law and are not taxable anywhere. (Citizens for Tax Justice Staff, 2013).

The biggest issue that arose from the Apple senate hearing was how tax laws in the United States allowed for large companies like Apple to avoid U.S. taxation. One proposed solution was to end the rule allowing the indefinite deferring of U.S. taxes by U.S. corporations. Another suggested solution was to block these types of tax avoidance techniques by strengthening certain tax rules. There were also other recommendations for policy solutions that resulted from the Apple Senate hearing. Overall, this tax avoidance scandal made it very clear that the United States tax laws are not sufficient in stopping large multinational corporations and a need for greater tax transparency does truly exist. (Citizens for Tax Justice Staff, 2013).

VI. CONCLUDING COMMENTS

How Do the Codes Compare?

Both the United Kingdom and Australia have demonstrated profound steps toward requiring greater tax transparency from businesses. The main way these countries have exhibited this is with the creation of tax codes, while the United States remains behind on
this aspect of tax transparency. One of the biggest differences between the Tax Transparency Code in Australia and the Royal Assent Finance Bill in the United Kingdom is the aspect of a mandatory code versus a voluntary code. The requirements under the Finance Bill include mandatory publication of their tax strategy for all large business in the United Kingdom. The publication requirements for Australian businesses under the Tax Transparency Code are voluntary.

Response of Businesses

In Australia, some of the top corporations have signed up for the voluntary Tax Transparency Code. According to The Australian, the Board of Taxation chairman Michael Andrew stated that “Twenty of the largest companies in Australia have already signed up on our website and indicated they are going to adopt.” These top companies include Orica, Fairfax Media, and Wesfarmers that have all signed up to adopt the code for their 2016 accounts. Australian mining giants, BHP Billiton and Rio Tinto, which recently faced a lot of negative attention from the Australian Taxation Office, are also part of the list. (The Australian, 2016).

The Catalogue of Signatories can be publicly viewed online and accessed through the Australian Government Board of Taxation website. By becoming a signatory to this register, a business is committing to apply the principles that have been laid out in the code. The Corporate Tax Association recently calculated that the signatories that are currently registered with the Board represent over sixty percent of the taxable income and tax payable by corporate taxpayers in Australia. There are currently seventy-seven signatories that are registered with the Board. This number is different than the number of
submissions received and published with the Australian Taxation Office (ATO). (The Australian Government the Treasury, 2016).

There is some flexibility under the voluntary code, which allows for the data published by the ATO to be based on taxpayer entities while taxpayer groups can contact the Board of Taxation and become a member of the register. As a result, the number of published reports provided by the ATO is lower than the number of signatories. There are currently twenty-one taxpayer entities that have made submissions and been published by the ATO. These submissions are all also publicly available and can be downloaded directly from the Australian Government Board of Taxation website. (The Australian Government the Treasury, May 2016).

In The United Kingdom, the mandatory requirements of the tax code set out the Finance Bill 2016 should require around two thousand companies to publish statements. Some companies already publish statements in their annual reports that concern their approach to tax. Many large companies do currently publish something, but now all large UK companies are required to publish statements to explain their tax strategy. The statements currently being published by UK companies vary from a short, brief statement to longer paragraphs or a full page dedicated to their tax approach. Under the requirements of the Finance Bill 2016, these statements will need to be further developed to cover the management of tax risks, the responsibilities and governance, as well as the company’s approach to tax planning and their relationship with HMRC. Multiple other UK companies will be publishing their tax strategy, along with the other required tax relevant information, for the very first time. (Forstater, 2016).
It is currently difficult to assess the number of companies in the United Kingdom that are complying with posting their tax strategy as the Finance Bill 2016 only became an Act of Parliament fairly recently. UK companies are not required to publish their first tax strategy until the end of their first financial year that follows after the Finance Bill 2016. Therefore, a company following an accounting period that ends on December 31\textsuperscript{st} has until December 31\textsuperscript{st} of 2017 to publish their first strategy. As a result of this, it becomes extremely challenging to try to determine the compliance level from UK companies as of today. A vast Majority of large UK companies have not come to the end of their accounting period since the Finance Bill was put into law and are they are not yet required to publish their first tax strategy. (Forstater, 2016).

**Benefits and Impact**

The general motivation behind the voluntary Tax Code in Australia and the mandatory publishing of tax strategy in the United Kingdom is the same. Both of these initiatives are advancements toward greater transparency concerning tax affairs of large companies. Overall, the details of the tax codes may differ in ways such as their requirements and how businesses should employ them, but the desired impact to result from the codes in each country is very similar.

The Tax Transparency Code and the Finance Bill 2016 share some comparable proposed benefits. For example, inspiring more public debate and discussion around taxation and the responsibility of corporations is likely to be triggered. This would be a benefit for corporations, government entities, investors, and the general public as a whole. Currently, there is little clarity concerning the reasonable expectations of a business’ corporate social responsibility around tax. This minimal discussion also
attributes the public’s general lack of trust in the tax system. If greater discussion was prompted from these tax codes, businesses would have a better idea of acceptable and good tax practices. This could also provide greater clarification on areas of tax that may be within legal boundaries, but not necessarily moral actions by a company. The companies would also be exposed to much more public scrutiny, but that factor might also lead them away from immoral actions as they would have to publish them. (Forstater, 2016).

There are multiple other benefits expected to develop from these tax codes. Aside from encouraging greater discussion around taxation for corporations, the biggest benefit should be increased tax transparency. There has been huge public demand for greater tax transparency from large companies on a global scale, and this demand has only grown more rapidly since the recession in 2008. The publications of both the tax code in the United Kingdom and Australia are to be made available to the public. Not only will this tax information be accessible by the Government, but investors, shareholders, and the general public can all have access. This dramatically increases the level of tax transparency for companies adopting the code in either the United Kingdom or Australia. More detailed tax transparency reports are also a valuable means for companies to communicate to both internal and external audiences. Companies can consider the interests of their greatest stakeholders as well as potential investors they might want to attract when drafting their tax strategy. (Ernst & Young, 2013).

Increasing legal compliance is another probable impact to be felt from the tax codes. The Finance Bill in the United Kingdom punishes businesses with fines if they fail to comply with the requirements. The Tax Transparency Code is voluntary and therefore
does not have any punishments or fines. Despite this difference, both codes are likely to increase the level of compliance from large businesses.

The Tax Transparency Code in Australia aims to highlight companies that are paying their fair share of taxes, while also off-putting companies that are engaged in aggressive tax planning and avoidance. Large multinationals operating in Australia are specifically encouraged by the Government to adopt the code and disclose information regarding their tax affairs. (Deloitte, 2016).

The tax strategy requirements in the United Kingdom are also intended to specifically target certain groups of companies, as stated by HMRC. These groups include companies who actively engage in tax avoidance, employ very aggressive tax planning, or who abstain from openly communicating with HMRC. Being required to now publish their tax strategy should encourage companies falling into any of these groups to improve how their company acts regarding tax affairs. Requiring large companies to further explain what they mean by responsible tax practices will help eliminate some tax issues and create a better understanding. It is also hoped that requiring tax strategies to be approved by the Board of Directors will encourage discussion of that strategy at high levels of governance. As a result, tax policies and decisions will be more closely aligned with the long-term success of the business rather than with short-term goals such as cost reduction. (Forstater, 2016).

Although there are ways in which the mandatory element is viewed as having a positive impact, there are also arguments against it. The main argument is that if every company is required to publish their tax dealings, then it takes away from the meaning and importance of doing so. For example, before the Finance Bill 2016, a company that
published statements about their tax affairs was associated with taking a low risk
approach to tax. On the other hand, when every company has to make such reports it
completely diminishes this correlation. Fears also exist that aggressive tax planning
behavior still may not be controlled effectively because of the vague language that can be
used in drafting a company’s tax strategy. (Forstater, 2016).

**Impact of Big 4 Accounting Firms**

The Big 4 accounting firms are leaders in the industry that prevail in multiple
areas such as size, reputation, and global reach. The Big 4 firms are
PricewaterhouseCoopers (PwC), Ernst & Young (EY), Deloitte, and KPMG. Each of
these firms have been actively involved in the issue of tax transparency. They have all
released multiple documents and reports regarding taxation in order to provide
information and advice to other companies such as their clients.

Regarding the tax codes, the Big 4 firms have published reports to better help
businesses understand the new requirements and how to respond to them. These reports
often include advice on what steps should be taken next as well as the best ways to
respond to the changing environment around taxation. For example in a tax transparency
report by KPMG in 2013, five main objectives were discussed on how to comply with the
changes. First, KPMG urges businesses to continue to watch for future developments and
try to predict what the environment will be in both the short-term and long-term.
Planning for public discussions of the company’s tax affairs and developing a tax
narrative to be effectively communicated are two more suggested responses. KPMG also
believes companies should consider how their approach to taxation will impact their
reputation. Lastly, the report advises businesses to adequately prepare for future
discussions with revenue authorities in attempt to avoid possible conflict and litigation. (KPMG, 2013).

This report by KPMG is just one of many reports published by the Big 4 accounting firms. All of the firms have weighed in on the topic of tax transparency in some form, most commonly by means of written reports and reviews. Along with providing advice to businesses; more detailed information about the recent developments, what caused them to be created, and what the future may look like are also often included in such reports by the Big 4 accounting firms.

**Speculations for Future**

It is becoming evidently clear that large companies participating in tax avoidance and being ambiguous about their tax affairs is now a thing of the past in many countries. Tax transparency is here and changes such as the mandatory disclosure requirements in the United Kingdom and the voluntary Tax Code in Australia are both strong indicators of this. These tax transparency initiatives are likely just the beginning of what could potentially change how corporations all over the globe deal with taxation.

It is likely that more even advancements toward greater tax transparency will occur in the future on a global scale. As this movement transpires, companies should respond by making their best efforts to comply with all new tax regulations and requirements. There is a general sense from many organizations that increased tax transparency reporting will soon be even more expected and considered commonplace among businesses. (Ernst & Young, 2013).

It will be interesting to follow these advancements into the future and watch the effect they have on how tax is dealt with by large businesses. The introduction of tax
codes in Australia and in the United Kingdom have the potential to really alter a businesses’ tax affairs and make them much more transparent to regulatory authorities and the public. There is also a chance that these tax codes may not have the desired impact on taxation. The new requirements might only serve as a “check the box” type of dealing for businesses. For example, in publishing their tax strategy and other tax information businesses could still use ambiguous or complicated writing and remain unclear. The codes also do not require businesses to publish this information in a separate document or a specific place. This makes it easy for companies to hide this tax information in large documents or bury it within a lot of other information on their website. Overall, more time must pass in order to see the full effect from these new tax initiatives. It is important for everyone; regulatory authorities, businesses, shareholders, and the public to continue to watch the impact as well as respond to the ever-changing environment around tax transparency.
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