Tax transparency services

KPMG Tax ESG

Environmental, social, and governance (ESG) reporting has fundamentally changed how multinational enterprises (MNE) approach their tax disclosures and tax transparency in general. ESG-minded stakeholders are increasingly demanding that companies move to embrace "tax good governance" and show they are paying their "fair share" of tax by adopting voluntary tax transparency measures such as publicly publishing their worldwide tax strategy, approach to corporate tax governance, and even the amount of taxes paid by jurisdiction. These stakeholders view these tax transparency disclosures as necessary to establish public trust by embracing a "responsible" approach to tax – a concept that each company will have to define for itself.

A growing number of MNEs are responding to stakeholder calls for increased tax transparency by voluntarily disclosing information about their tax strategy, governance, and global tax payments. Beyond voluntary transparency, mandatory transparency is on the horizon with the recent directives on public country-by-country (CbC) reporting.

Whether your organization follows a path of greater tax transparency or not, it is important to make that decision in a strategic and informed way.

KPMG tech-enabled Tax ESG services can help our clients develop a data-informed approach as they begin this journey.

Four keys to your tax transparency journey:

1. **Maturity assessment—comparing yourself against:**
   - Standard setters and rating agency tax transparency criteria
   - Peers
   - Your organization's ESG commitments and strategy

2. **Define your tax principles and strategy**
   - What do you want to be known for?
   - Where do you draw the line with tax risk?

3. **Building tax governance to ensure your organization can live out its principles and strategy**
   - Do you have all the key components for a tax control framework?

4. **Quantitative and qualitative transparency**
   - What are you going to tell the public about your strategy, governance, and tax payment data?

Tax ESG maturity assessment

Knowing where you stand today is a critical first step in building your tax ESG program. Faced with competing stakeholder interests and a lack of standardization of sustainable tax criteria among nongovernmental organizations, standard setters, and ESG rating agencies, companies have a significant challenge in understanding whether they are considering all material tax criteria. The KPMG Tax ESG Assessment Tool benchmarks your company's performance against all of the leading standards and rating agency criteria as well as industry peers' performance.

This data-driven approach arms you with insights not otherwise available to remediate or enhance your tax ESG performance.

The KPMG Tax ESG Assessment Tool helps companies develop a roadmap to enhance public perception of the entity's approach to tax.

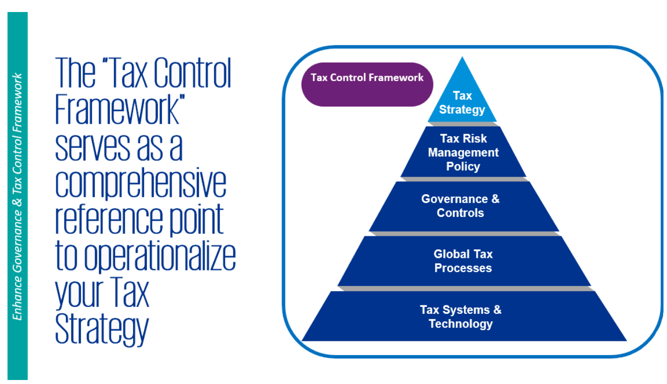
Defining your tax principles and strategy

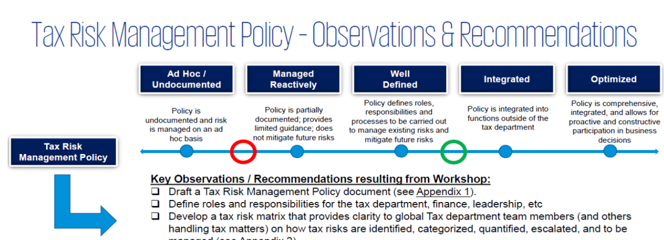
Once an organization understands where it sits with respect to the standards, its peers, and ESG commitments, the first step in your tax ESG journey is to define the principles and document your tax strategy.

A good tax strategy stands on a set of well-defined tax principles. These principles should not only be informed by the standard setter and rating agency criteria, or peer company performance, but also the company's tax risk appetite, stakeholder demands, and overall business strategy.

Tax controls framework

The tax controls framework serves as a comprehensive reference point to operationalize your tax strategy. Companies can no longer merely publish a tax strategy document and expect to avoid scrutiny as investors and rating agencies are increasingly focused on the quality of tax governance as an indicator of tax ESG maturity. We will enable you to build a tax control framework that supports your tax principles and strategy to help ensure your tax ESG program is fit for purpose.





Tax impact reporting

The three stages of tax impact reporting require you to consider:

- Public CbC impact analysis
  - Australia beginning July 2023
  - EU member states beginning July 2023 or earlier
- Voluntary tax payment reporting scenario analysis
- Global tax payments reporting.

The KPMG tax impact analyzer enables you to visualize the impact of mandatory EU public CbC reporting, and then run scenarios that take into account taxes in addition to corporate income tax (e.g., VAT, payroll, etc.) that help you develop a targeted reporting model that forms the basis of an external tax impact report.

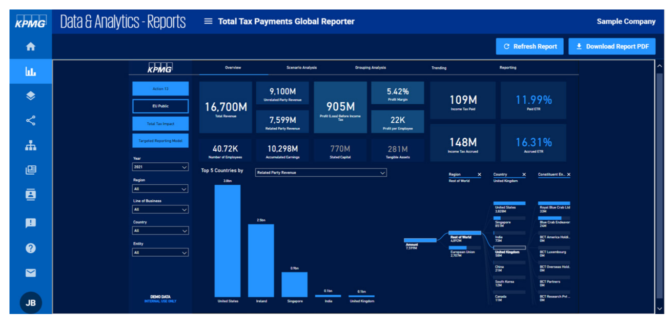
Regardless of your ultimate approach to tax transparency, robust tax payment data and analytics drive insights that can inform tax scenario planning and internal decisions.

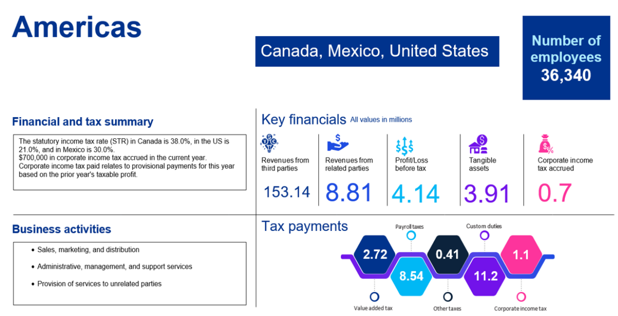
The KPMG Global Tax Payments Reporter visualizes the EU public CbC reporting framework and compares your data to your existing OECD Action 13 report. Material differences are identified and inform your target reporting model.

KPMG tax payment data analytics drives insights into the optimal target reporting model and highlights potential reporting risks. These data insights enable you to craft the narrative that best illustrates your organization's total tax impact.

Once you have identified your target tax reporting model, you have multiple channels through which to disclose your organization's total tax impact. The KPMG technology tools facilitate your external reporting regardless of whether to publicly disclose tax payment information in your ESG report, through a total tax impact report, or by other means.

Tax transparency can be a daunting challenge for organizations that lack clarity with respect to tax strategy, have insufficient governance to live out their commitments, and do not have access to sufficient data to tell the whole story with respect to their global tax footprint. The KPMG approach to tax transparency and our industry-leading tools help to enable your organization to overcome these challenges and successfully respond to these new pressures.





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