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## *Public comment form*

# Exposure draft of GRI topic-specific Standard: *Tax and Payments to Governments*

## **Comments to be received by 15 March 2019**

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This exposure draft of the new GRI topic-specific Standard: *Tax and Payments to Governments*, is published for public comment by the Global Sustainability Standards Board (GSSB), the independent standard setting body of GRI.

This public comment form includes the draft of the new GRI topic-specific Standard: *Tax and Payments to Governments*, and a questionnaire seeking input on specific sections of the draft Standard. The explanatory memorandum on page 3 of this document summarizes the objectives of the project and the significant proposals contained within this exposure draft.

**This draft is published for comment only and may change based on public feedback before its official release.**

Any interested party can submit comments on this draft by 15 March 2019 by submitting this form. Comments should be submitted in writing. Only comments in English will be considered. Instructions to submit comments are outlined on page 2 of this document.

As required by the GSSB's Due Process Protocol, all comments received will be considered a matter of public record. Comments will be made available on the GRI website along with the name of the individual or organization that submitted the comment, and their country and constituency group.

For more information please see the [GRI website](#). If you have additional questions about the project, the exposure draft or the public comment period, please send an email to tax@globalreporting.org.

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## *Instructions for submitting comments*

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Any interested party can submit comments on this draft by **15 March 2019** by submitting this form.

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### ***Making your comments***

There are 9 specific questions distributed across this form under the respective sections of the draft Standard to which they relate. You can find questions on pages 19-20, 27, 29, 31-34.

You can submit any additional comments you have at question 9 on page 34.

In developing your responses, please try and do the following:

- provide the line numbers of the text your comment relates to;
- provide a rationale or supporting explanation for your comment;
- provide an alternative wording suggestion, where relevant; and
- be clear and additive.

It is recommended that you read through the full draft Standard before submitting your comments.

### ***Submitting your comments***

**Important:** To fill in the form, you will need to have [Adobe Acrobat](#) installed on your computer. **Please do not fill in the form in your website browser – your data will not be saved.**

1. Download and save a copy of the public comment form on your desktop.
2. Open the form using Adobe Acrobat and type your responses in the comment boxes.
3. Click '**Save**' in the upper left corner of the form to ensure your responses are not lost.
4. Once you have completed the form, you can (a) click the '**Submit form**' button on the **upper right corner of the form**. The completed form will be automatically sent to GRI; or (b) **email** your completed form as an attachment to [tax@globalreporting.org](mailto:tax@globalreporting.org).

*Please note: You will be sent confirmation that your form has been received within two working days.*

**Comments must be submitted in writing. Only comments in English will be considered.** If either of these is not possible, please email [tax@globalreporting.org](mailto:tax@globalreporting.org) to make the necessary arrangements.

**If you have any questions about how to use the public comment form, please send an email to [tax@globalreporting.org](mailto:tax@globalreporting.org).**

# Explanatory memorandum

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This explanatory memorandum sets out the objectives of the project to develop new, specific disclosures related to tax and payment to governments, the significant proposals resulting from this project, including the incorporation of a new GRI topic-specific Standard: *Tax and Payments to Governments* in the GRI Sustainability Reporting Standards (GRI Standards), and a summary of the Global Sustainability Standards Board (GSSB)'s involvement and views on the development of this draft Standard.

## *Objectives for the 'disclosures on tax and payments to governments' project*

The primary objective of the project is to develop new, specific disclosures related to tax and payment to governments, to be considered for incorporation into the GRI Standards.

A multi-stakeholder Technical Committee (TC) was formed to develop the disclosures, as outlined in the GSSB's [Due Process Protocol](#).

The aim of this work is to help promote greater transparency on a reporting organization's approach to taxes, including its tax strategy, governance, and information on its actual taxes and payments to governments.

Wherever possible, the project considered existing frameworks and methodologies for reporting on tax and payment to governments.

For more information, consult the [project proposal](#) and [terms of reference](#).

## *Significant proposals*

The TC has developed a new topic-specific Standard on tax and payments to governments in line with the project objective set out above. Notable inclusions in this draft Standard are summarized below:

- **New management approach disclosures** have been developed, covering specific tax components. These include the content of the tax strategy, how the organization's business strategy and the economic or social impacts of its approach to tax and payments to governments are considered in the development of this strategy, the tax governance and control framework, tax risk identification and management, and the approach to stakeholder engagement and management of stakeholder concerns in relation to tax and payments to governments. These requirements are designed to complement the existing generic management approach disclosures in *GRI 103: Management Approach*.
- **New topic-specific disclosures** have been developed, focused on the country-by-country reporting of financial, economic, and tax-related data for each tax jurisdiction in which the organization operates. Country-by-country reporting of taxes and payments to governments provides a level of detail that enables assessment of the contribution an organization makes through taxes and payments to governments in a jurisdiction proportionate to the organization's scale of activity in that jurisdiction.

- The two topic-specific disclosures are closely related: one provides essential contextual information for the other. For this reason, in the case of this Standard, the reporting organization is expected to **report on both topic-specific disclosures**.
- Several new defined terms and definitions have also been proposed. See page 28.
- The contents of this exposure draft are presented in format of a topic-specific Standard for inclusion in the Economic series (200).

### *GSSB's involvement and views on the development of this draft*

The GSSB appointed one of its members as the sponsor for this project. The GSSB sponsor observed the entire TC process and attended all TC meetings.

A rough draft of the new GRI topic-specific Standard: *Tax and Payments to Governments* was discussed by the GSSB on 25 September 2018. The draft was later revised based on stakeholder input collected during a field test consultation and on TC and GSSB feedback.

The GSSB confirmed its support for the new GRI topic-specific Standard: *Tax and Payments to Governments* when it voted to approve the draft for public exposure at its meeting on 29 November 2018.

Meeting minutes and recordings can be accessed on the GSSB website [here](#).

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## Personal details

As required by the GSSB's [Due Process Protocol](#), all comments received will be considered a matter of public record. Comments will be made available on the GRI website along with the name of the individual or organization that submitted the comment, their country, and their constituency group. To learn more about GRI's privacy policy click [here](#).

**Check this box** to confirm you agree to have the personal details listed above made available along with your comments on the GRI website. This information will not be used or processed for any other purposes.

If you do not agree, your comments will be reviewed and summarized but will not be expressly considered by the GSSB.

**Full name**

**Type of submission**

Are your comments made as an individual or on behalf of an organization, group, or institution?

**Organization name**

Please ignore this question if this is an individual response.

**Country of residence**

**Region**

**Stakeholder group**

Please select a constituency group that best describes you/your organization

(click [here](#) for definitions)

**Other stakeholder**

Please describe your stakeholder group if you have selected 'Other' in the question above

**Are you a reporter or a report user?**

**Email address**

This will only be used to request clarification on your response or to inform you of milestones related to the public comment period. This will not be used or processed for any other purposes.

**Do you want to be kept informed about project updates?**

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# 1 **GRI XXX: TAX AND PAYMENTS TO** 2 **GOVERNMENTS [20XX]**

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17	<a href="#">About this Standard</a>	

<b>Responsibility</b>	This Standard is issued by the <a href="#">Global Sustainability Standards Board (GSSB)</a> . Any feedback on the GRI Standards can be submitted to <a href="mailto:standards@globalreporting.org">standards@globalreporting.org</a> for the consideration of the GSSB.
<b>Scope</b>	<i>GRI XXX: Tax and Payments to Governments</i> sets out reporting requirements on the topic of tax and payments to governments. This Standard can be used by an organization of any size, type, sector or geographic location that wants to report on its impacts related to this topic.
<b>Normative references</b>	This Standard is to be used together with the most recent versions of the following documents.  <a href="#">GRI 101: Foundation</a> <a href="#">GRI 103: Management Approach</a> <a href="#">GRI Standards Glossary</a>  In the text of this Standard, terms defined in the Glossary are <u>underlined</u> .
<b>Effective date</b>	This Standard is effective for reports or other materials published on or after <b>[date to be determined]</b> . Earlier adoption is encouraged.
<b>Note:</b> This document includes hyperlinks to other Standards. In most browsers, using <b>'ctrl' + click</b> will open external links in a new browser window. After clicking on a link, use <b>'alt' + left arrow</b> to return to the previous view.	

18

# 19 Introduction

## 20 A. Overview

21 This Standard is part of the set of GRI  
22 Sustainability Reporting Standards (GRI  
23 Standards). The Standards are designed to be  
24 used by organizations to report about their  
25 impacts on the economy, the environment,  
26 and society.

27 The GRI Standards are structured as a set of  
28 interrelated, modular standards. The full set can  
29 be downloaded at

30 [www.globalreporting.org/standards/](http://www.globalreporting.org/standards/).

31 There are three universal Standards that apply  
32 to every organization preparing a sustainability  
33 report:

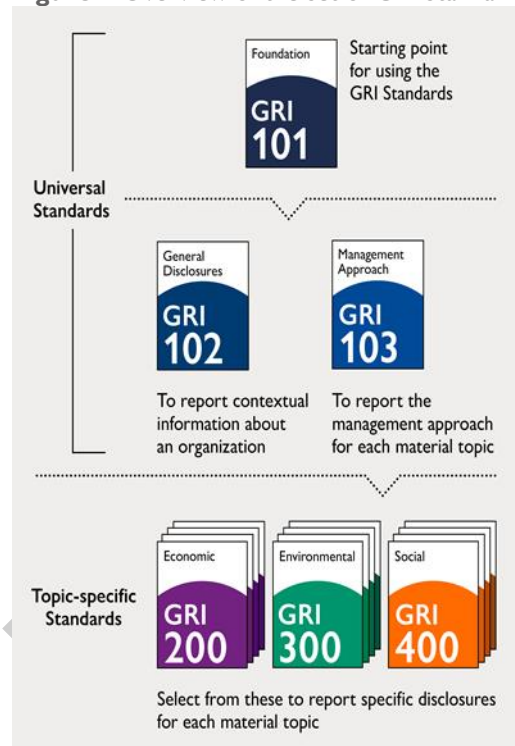
34 [GRI 101: Foundation](#)

35 [GRI 102: General Disclosures](#)

36 [GRI 103: Management Approach](#)

**GRI 101: Foundation is the starting point for using the GRI Standards. It has essential information on how to use and reference the Standards.**

37 **Figure I** Overview of the set of GRI Standards



38  
39 An organization then selects from the set of  
40 topic-specific GRI Standards for reporting on  
41 its material topics.

**See the [Reporting Principles for defining report content in GRI 101: Foundation](#) for more information on how to identify material topics.**

42 The topic-specific GRI Standards are organized  
43 into three series: 200 (Economic topics), 300  
44 (Environmental topics), and 400 (Social topics).

45 Each topic Standard includes disclosures  
46 specific to that topic, and is designed to be  
47 used together with *GRI 103: Management*  
48 *Approach*, which is used to report the  
49 management approach for the topic.

**GRI XXX: Tax and Payments to Governments is a topic-specific GRI Standard in the 200 series (Economic topics).**

## 50 B. Using the GRI Standards and making 51 claims

52 There are two basic approaches for using the  
53 GRI Standards. For each way of using the  
54 Standards there is a corresponding claim, or  
55 statement of use, which an organization is  
56 required to include in any published materials.

57 • The GRI Standards can be used as a set to  
58 prepare a sustainability report that is in  
59 accordance with the Standards. There are  
60 two options for preparing a report in  
61 accordance (Core or Comprehensive),  
62 depending on the extent of disclosures  
63 included in the report.

64 An organization preparing a report in  
65 accordance with the GRI Standards uses  
66 this Standard, *GRI [XXX]: Tax and Payments*  
67 *to Governments*, if this is one of its material  
68 topics.

69 • Selected GRI Standards, or parts of their  
70 content, can also be used to report specific  
71 information, without preparing a report in  
72 accordance with the Standards. Any  
73 published materials that use the GRI  
74 Standards in this way are to include a 'GRI-  
75 referenced' claim.

**See [Section 3 of GRI 101: Foundation](#) for more information on how to use the GRI Standards, and the specific claims that organizations are required to include in any published materials.**

76 Reasons for omission as set out in *GRI 101:*  
77 *Foundation* are applicable to this Standard. See  
78 [clause 3.2 in GRI 101](#) for requirements on  
79 reasons for omission.

## 80 C. Requirements, recommendations and 81 guidance

82 The GRI Standards include:

83 **Requirements.** These are mandatory  
84 instructions. In the text, requirements are  
85 presented in **bold font** and indicated with  
86 the word 'shall'. Requirements are to be read  
87 in the context of recommendations and



88 guidance; however, the organization is not  
 89 required to comply with recommendations  
 90 or guidance in order to claim that a report  
 91 has been prepared in accordance with the  
 92 Standards.

93 **Recommendations.** These are cases where  
 94 a particular course of action is encouraged, but  
 95 not required. In the text, the word 'should'  
 96 indicates a recommendation.

97 **Guidance.** These sections include background  
 98 information, explanations and examples to help  
 99 organizations better understand the  
 100 requirements.

101 An organization is required to comply with all  
 102 applicable requirements in order to claim that  
 103 its report has been prepared in accordance  
 104 with the GRI Standards. See [GRI 101:  
 105 Foundation](#) for more information.

106 **D. Background context**

107 In the context of the GRI Standards, the  
 108 economic dimension of sustainability concerns  
 109 an organization's impacts on the economic  
 110 conditions of its stakeholders, and on  
 111 economic systems at local, national, and global  
 112 levels.

113 The Standards in the Economic series (200)  
 114 address the flow of capital among different  
 115 stakeholders, and the main economic impacts  
 116 of an organization throughout society.

117 GRI XXX addresses the topic of tax and  
 118 payments to governments.

119 Tax and payments to governments are  
 120 important sources of government revenues,  
 121 which in turn are acknowledged by the United  
 122 Nations to play a vital role in advancing the  
 123 achievement of the Sustainable Development  
 124 Goals.<sup>1</sup>

125 The relative size and allocation of taxes and  
 126 payments to governments are key to the fiscal  
 127 policy of most governments, and to the  
 128 macroeconomic stability of an economy.

129 Tax and payments to governments are also a  
 130 key mechanism by which organizations  
 131 contribute to the economies of the countries  
 132 in which they operate.

133 Organizations have a responsibility to comply  
 134 with tax legislation and to meet stakeholder  
 135 expectations of good tax practices. Taxes paid  
 136 by organizations reflect that profitability is  
 137 reliant on many factors external to the  
 138 organization, including access to markets,

139 natural resources, public infrastructure and  
 140 services, and the availability of human capital  
 141 and a public administration.

142 If organizations seek to minimize their tax  
 143 obligation in a place, they might be depriving  
 144 governments of important revenue. This in  
 145 turn could lead to a reduction in investment in  
 146 public infrastructure and services, and to an  
 147 increase in the level of government debt, or at  
 148 the very least, to a shifting of the tax burden  
 149 onto other parties.

150 Perceptions of tax-avoidance by an organization  
 151 could also undermine tax compliance more  
 152 broadly, by driving behavior based on the view  
 153 that without aggressive tax planning, an  
 154 organization might be at a competitive  
 155 disadvantage. This could potentially lead to  
 156 increasing costs associated with tax regulation  
 157 and enforcement.

158 Tax transparency promotes trust and  
 159 credibility in the taxation system and in the tax  
 160 practices of organizations. It enables  
 161 stakeholders to make informed judgments  
 162 about whether an organization's position on  
 163 tax and payments to governments is acceptable  
 164 and informs public debate. Equal access to  
 165 quality information also creates a context for  
 166 the development of desirable tax policy  
 167 outcomes from the societal perspective.

168 The disclosures in this Standard are designed  
 169 to help an organization better understand and  
 170 communicate its strategy, governance, control,  
 171 risk, and stakeholder engagement related to tax  
 172 and payments to governments, as well as its  
 173 income, tax, and business activities on a  
 174 country-by-country basis.

175 *Country-by-Country Reporting*

176 Country-by-country reporting involves the  
 177 reporting of financial, economic, and tax-  
 178 related data for each tax jurisdiction in which  
 179 the organization operates. It can be used to  
 180 identify the contribution an organization makes  
 181 through tax and payments to governments in a  
 182 jurisdiction and provide insight into an  
 183 organization's scale of activity in those  
 184 jurisdictions.

185 In combination with the management approach  
 186 disclosures, country-by-country reporting can  
 187 evidence the organization's tax practices across  
 188 the different jurisdictions in which it operates.

<sup>1</sup> United Nations (UN) Resolution, 'Transforming our world: the 2030 Agenda for Sustainable Development', 2015.

189 Country-by-country data can also signal to  
190 stakeholders any potential reputational and  
191 financial risks in an organization's transactions  
192 related to tax and payments to governments.

**Disclosure XXX-4 Entities and activities by tax jurisdiction provides essential contextual information to understand Disclosure XXX-5 Country-by-country reporting. For this reason, the reporting organization is expected to report on both topic-specific disclosures of GRI XXX.**

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194 **GRI XXX: Tax and Payments to**  
195 **Governments**

196 This Standard includes disclosures on the management approach and topic-specific disclosures.  
197 These are set out in the Standard as follows:

- 198     • Management approach disclosures
- 199         ○ Disclosure XXX-1 Approach to tax and payments to governments
- 200         ○ Disclosure XXX-2 Tax governance, control, and risk management
- 201         ○ Disclosure XXX-3 Stakeholder engagement and management of concerns related to  
202             tax and payments
- 203     • Topic-specific disclosures
- 204         ○ Disclosure XXX- 4 Entities and activities by tax jurisdiction
- 205         ○ Disclosure XXX- 5 Country-by-country reporting

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## 206 1. Management approach disclosures

207 Management approach disclosures are a narrative explanation of how an organization manages a  
 208 material topic, the associated impacts, and stakeholders' reasonable expectations and interests.  
 209 Any organization that claims its report has been prepared in accordance with the GRI Standards  
 210 is required to report on its management approach for every material topic.

211 An organization that has identified tax and payments to governments as a material topic is  
 212 required to report its management approach for this topic using both the disclosures in *GRI 103:*  
 213 *Management Approach*, and the management approach disclosures in this section.

214 The disclosures in this section focus on how an organization approaches and manages its tax and  
 215 payments to governments. This section is therefore designed to supplement – and not to replace  
 216 – the content in *GRI 103*.

### 217 Reporting requirements

218 **I.1 The reporting organization shall report its management approach for**  
 219 **tax and payments to governments using [GRI 103: Management Approach](#).**

## 220 Disclosure XXX-I Approach to tax and payments to governments

### 221 Reporting requirements

#### 222 Disclosure XXX-I

223 The reporting organization shall report the following information:

- 224 **a. A description of the approach to tax and payments to governments, including:**
- 225 **i. whether the organization has a tax strategy and, if so, a link to this**  
 226 **strategy if publicly available;**
  - 227 **ii. the governance body or executive-level position within the**  
 228 **organization that formally reviews and approves the tax strategy,**  
 229 **and the frequency of this review;**
  - 230 **iii. the approach to regulatory compliance described in the tax**  
 231 **strategy;**
  - 232 **iv. how the tax strategy is linked to the business and sustainable**  
 233 **development strategies of the organization and to the broader**  
 234 **economic needs of the countries in which the organization**  
 235 **operates.**

#### 236 Guidance

##### 237 Background

238 An organization's approach to tax and payments to governments is often articulated in its tax  
 239 strategy, but it might also take the form of a policy, standards, principles, or codes of conduct.

240 The tax strategy (or equivalent document) communicates how the organization balances tax  
 241 compliance with business concerns and ethical, societal, and sustainability-related expectations.

242 It is a key building block of an organization's approach to managing tax and sets out the  
243 organization's tax principles, its attitude to tax planning, the degree of risk the organization is  
244 willing to accept, and the organization's approach to engagement with tax authorities.

245 *Guidance for Disclosure XXX-I-a*

246 When describing the approach to tax and payments to governments, the reporting organization  
247 can provide context by including specific examples drawn from its tax practices. For example,  
248 the organization can provide an overview of its approach to the use of tax havens, the types of  
249 tax incentives it makes use of, or its approach to transfer pricing. These examples help  
250 demonstrate the organization's risk appetite and the tax practices deemed acceptable and  
251 unacceptable by the organization and its highest governance body.

252 If the organization does not have a tax strategy, it may describe an equivalent document that  
253 underpins the tax approach and explain the reason for not having a tax strategy.

254 *Guidance for Disclosure XXX-I-a-i*

255 If the organization has a tax strategy but the strategy is not publicly available, the organization  
256 can provide an abstract or summary of the strategy.

257 If the organization has a tax strategy that applies to a smaller number of entities or tax  
258 jurisdictions than is covered by the report, the organization can refer to this tax strategy and list  
259 the entities or tax jurisdictions to which the strategy is relevant.

260 *Guidance for Disclosure XXX-I-a-iii*

261 The organization's approach to regulatory compliance refers to how the organization interprets  
262 the applicable tax laws and regulations – whether it seeks to comply with the 'letter of the law',  
263 or whether it goes beyond that to comply with what it believes to be the legislative intent  
264 underpinning the law, or the 'spirit of the law'.

265 *Guidance for Disclosure XXX-I-a-iv*

266 When describing how the tax strategy is linked to its business strategy, the organization can  
267 outline how its tax planning is aligned with its economic and commercial activities.

268 When describing how the tax strategy is linked to its sustainable development strategy and to  
269 the broader economic needs of the countries in which it operates, the organization can explain  
270 how it considers the economic or social impacts of its approach to tax and payments to  
271 governments in these countries. The organization can describe whether, and how, it considers  
272 any statements on its impact or contribution in other areas in the development of its tax  
273 strategy.

274 Disclosure XXX-2 Tax governance, control, and risk management

275 Reporting requirements

276 Disclosure XXX-2

277 The reporting organization shall report the following information:

- 278 a. A description of the tax governance and control framework, including:
- 279 i. the **governance body** or executive-level position within the organization
  - 280 accountable for compliance with tax strategy;
  - 281 ii. how the stated approach to tax and payments to governments or tax
  - 282 strategy is embedded within the organization;
  - 283 iii. the approach to tax risks, including how risks are identified, managed,
  - 284 and monitored;
  - 285 iv. how compliance with the tax governance and control framework is
  - 286 evaluated.
- 287 b. A description of the mechanisms for reporting concerns about unethical or
- 288 unlawful behavior and the organization’s integrity in relation to taxes.
- 289 c. A description of the assurance process for disclosures on tax and payments to
- 290 governments, including, if applicable, a reference to the assurance report,
- 291 statement, or opinion.

292 Guidance

293 Background

294 Having robust governance, control, and risk management systems in place for tax and payments  
 295 to governments can be an indication that the stated approach or tax strategy is well embedded  
 296 in the organization and that the organization is effectively monitoring its compliance obligations.  
 297 Reporting this information reassures stakeholders that the organization’s practices reflect the  
 298 statements it has made in its tax strategy (or equivalent document).

299 Guidance for Disclosure XXX-2-a

300 When describing the tax governance and control framework, the reporting organization can  
 301 provide examples of effective implementation of its governance, control, and risk management  
 302 systems.

303 Guidance for Disclosure XXX-2-a-i

304 In cases where the **highest governance body** in an organization is accountable for compliance  
 305 with the tax governance and control framework and with the tax strategy, the organization can  
 306 specify the degree to which the highest governance body has oversight, and specify any  
 307 accountability for compliance delegated to executive-level positions within the organization.

308 *Guidance for Disclosure XXX-2-a-ii*

309 When reporting on how the stated approach to tax and payments to governments or tax  
310 strategy is embedded within the organization, the organization can describe processes, projects,  
311 programs, and initiatives that support adherence with the stated approach or tax strategy.

312 These initiatives can include:

- 313 • training and guidance provided to relevant employees on the link between tax strategy,  
314 business strategy, and corporate reputation;
- 315 • succession-planning for roles within the organization that are responsible for tax and  
316 payments to governments;
- 317 • participation in tax transparency initiatives or representative associations that seek to  
318 develop best practice around tax disclosure or educate stakeholders on tax issues;
- 319 • training and guidance on likely tax risks provided to employees within the organization who  
320 are authorized to commit to contracts on behalf of the organization.

321 *Guidance for Disclosure XXX-2-a-iii*

322 Tax risks are potential, perceived, and/or near-term business risks associated with the  
323 organization's tax practices that might lead to a negative effect on the tax or commercial goals of  
324 the organization, or to unexpected or unacceptable financial or reputational damage. These  
325 include compliance or other tax risks, such as risks related to non-compliance with relevant  
326 laws, uncertain tax positions, changes in legislation, or a perception of aggressive tax practices.

327 When reporting on the approach to tax risks, the organization can describe its risk appetite and  
328 tolerance and include specific examples of tax practices it has avoided because they pose a high  
329 risk or because they are misaligned with the tax strategy (or equivalent document). Risk appetite  
330 and tolerance indicate the degree of risk the organization is willing to accept in determining its  
331 tax positions.

332 When reporting on how tax risks are identified, managed, and monitored, the organization can  
333 describe:

- 334 • the role of the highest governance body in the tax risk management process;
- 335 • how the tax risk management process is communicated and embedded across the  
336 organization;
- 337 • whether tax risk management is considered in the organization's financial and/or non-  
338 financial risk management process.

339 *Guidance for Disclosure XXX-2-a-iv*

340 When reporting on how compliance with the tax governance and control framework is  
341 evaluated, the organization can explain the process through which the tax governance and  
342 control framework is monitored, tested, and maintained. An example could be that an internal  
343 auditor is given accountability for undertaking annual reviews of the tax department's compliance  
344 with the tax governance and control framework.

345 The organization can also specify the degree to which the highest governance body has oversight  
346 of the design, implementation, and effectiveness of the tax governance and control framework.

347 *Guidance for Disclosure XXX-2-b*

348 An example of a mechanism for stakeholders to report concerns about unethical or unlawful  
349 behavior or about activities that compromise the organization's integrity in relation to taxes is  
350 whistleblowing.

351 Disclosure XXX-2-b is related to [Disclosure 102-17](#) in *GRI 102: General Disclosures*. If the  
352 information reported under Disclosure 102-17 covers mechanisms used for reporting concerns  
353 about unethical or unlawful behavior and the organization's integrity in relation to taxes, the  
354 organization can provide a reference to this information reported under Disclosure 102-17.

355 *Guidance for Disclosure XXX-2-c*

356 Disclosure XXX-2-c is related to Disclosure 102-56 in *GRI 102: General Disclosures*. If the  
357 assurance process for disclosures related to tax and payments to governments has been  
358 completed as part of another assurance process, the organization can provide a reference to this  
359 information reported under Disclosure 102-56 or elsewhere.

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360 Disclosure XXX-3 Stakeholder engagement and management of concerns  
 361 related to tax and payments

362 Reporting requirements

363 **Disclosure XXX-3**

364 The reporting organization shall report the following information:

- 365 a. A description of the approach to stakeholder engagement and management of  
 366 stakeholder concerns related to tax and payments to governments, including:
- 367 i. the approach to engagement with tax authorities;
  - 368 ii. the approach to public policy advocacy on tax and payments to  
 369 governments;
  - 370 iii. processes for collecting and considering the views and concerns of  
 371 external stakeholders.

372 **Guidance**

373 *Background*

374 Organizations' tax practices are of interest to various stakeholders. The approach an  
 375 organization takes to engaging with stakeholders has the potential to influence its reputation and  
 376 position of trust. This includes how the organization engages with tax authorities in the  
 377 development of tax systems, legislation, and administration.

378 Stakeholder engagement can enable the organization to understand evolving expectations in  
 379 relation to tax and payments to governments. It can give the organization insight into potential  
 380 future regulatory changes and enable the organization to better manage its financial and  
 381 reputational risks.

382 *Guidance for Disclosure XXX-3-a-i*

383 The approach to engagement with tax authorities can include participating in cooperative  
 384 compliance agreements, seeking active real-time audit, seeking clearance for all significant  
 385 transactions, engaging on tax risks, and seeking advance pricing agreements.

386 *Guidance for Disclosure XXX-3-a-ii*

387 When reporting on its approach to public policy advocacy, the reporting organization can  
 388 describe:

- 389 • its lobbying activities related to tax and payments to governments;
- 390 • its stance on significant issues relating to tax and payments to governments addressed in its  
 391 public policy advocacy, and any differences between its advocacy positions and its stated  
 392 policies, goals, or other public positions;
- 393 • whether it is a member of any representative association or committee that participates in  
 394 public policy advocacy.

395 Disclosure XXX-3-a-ii is related to the reporting requirements set out in [GRI 415: Public Policy](#). If  
396 the organization has identified public policy as a material topic and has reported information  
397 under GRI 415 that covers the organization's public policy advocacy on tax and payments to  
398 governments, the organization can provide a reference to this information reported under GRI  
399 415.

400 *Guidance for Disclosure XXX-3-a-iii*

401 When reporting on the processes for collecting and considering the views and concerns of  
402 external stakeholders, the organization can describe how the processes enable stakeholders to  
403 participate in this engagement.

Exposure draft for public comment

**Question 1:**

The management approach section in *GRI XXX: Tax and Payments to Governments* includes specific requirements for organizations to report on their approach to tax and payments to governments; tax governance, control, and risk management; and stakeholder engagement and management of concerns.

**Are any of the management approach disclosures in *GRI XXX: Tax and Payments to Governments* not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?**

*When reviewing the management approach disclosures, you might consider issues of commercial sensitivity, data management processes and other obstacles to reporting the information. If there is a specific part of the disclosures that you believe is difficult to report on, please outline the reasons why and whether this difficulty could be overcome over time.*

*When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)                      Comment

Line number(s)	Comment

**Question 2:**

The requirements included in management approach section are designed to supplement – and not to replace – the content in *GRI 103: Management Approach*.

**With respect to reporting requirements in the management approach disclosures in GRI XXX: Tax and Payments to Governments, are all of them critical to describing the management approach on tax and payments to governments.**

**If not, which requirements are not critical?**

*When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)

Comment

Line number(s)	Comment

## 404 2. Topic-specific disclosures

405 Disclosure XXX-4 Entities and activities by tax jurisdiction provides essential contextual information  
 406 to understand Disclosure XXX-5 Country-by-country reporting. For this reason, the reporting  
 407 organization is expected to report on both topic-specific disclosures of GRI XXX.

408 If the reporting organization does not have data available for all the tax jurisdictions in which it  
 409 operates, as listed in Disclosure XXX-4, the organization is required to identify the data excluded  
 410 and explain why it is not available. See [clause 3.2](#) in *GRI 101: Foundation* for requirements on reasons  
 411 for omissions.

412 Where complete reporting for a listed tax jurisdiction is not possible because the organization holds  
 413 a minority shareholding or is the non-operating joint venture partner in an entity, the organization  
 414 can identify this as a reason for omission and can provide a reference to the majority shareholder or  
 415 operating partner.

### 416 Disclosure XXX-4 Entities and activities by tax jurisdiction

#### 417 Reporting requirements

#### 418 Disclosure XXX-4

419 The reporting organization shall report the following information:

- 420 a. All **tax jurisdictions** where the **entities** included in the organization's audited  
 421 financial statements<sup>2</sup>, or in the financial information filed on public record, are  
 422 resident for tax purposes.
- 423 b. For each tax jurisdiction in which the organization has resident entities, as  
 424 listed in Disclosure XXX-4-a:
- 425 i. **Number of entities;**
  - 426 ii. **Names of the principal entities;**
  - 427 iii. **Primary activities of the entities;**
  - 428 iv. **Number of employees.**

429 **1.2 When compiling the information specified in Disclosure XXX-4, the reporting**  
 430 **organization shall, in cases where an entity is deemed not to be resident in any**  
 431 **tax jurisdiction, report the entity-related information listed in i-iv separately.**

#### 432 Reporting recommendations

433 **1.3** The reporting organization should report total employee remuneration for each tax  
 434 jurisdiction in which the organization has resident entities.

<sup>2</sup> Audited financial statement refers to the audited consolidated financial statement of the organization.

435 **Guidance**436 *Guidance for Disclosure XXX-4-b-iii*

437 When reporting on the primary activities of the entities in a tax jurisdiction, the reporting  
 438 organization can provide a generic description of its main activities in that jurisdiction, for example,  
 439 sales, marketing, manufacturing, or distribution. The organization does not need to list the activities  
 440 of each entity in a tax jurisdiction separately. The description can be generic to the extent that a  
 441 third party is able to clearly identify the reported business activity.

442 If the organization is dormant in a tax jurisdiction, it can specify this in the report.

443 *Guidance for Disclosure XXX-4-b-iv*

444 Employee numbers can be reported using full-time equivalent (FTE) calculations.

445 In addition to the number of employees within a tax jurisdiction, the organization can report the  
 446 number of workers (excluding employees) performing the organization's activities within the  
 447 jurisdiction, if this helps explain the organization's activities in the jurisdiction.

448 If an organization is unable to report exact figures, it can report the number of employees to the  
 449 nearest ten or, where the number of employees is greater than 1000, to the nearest 100.

450 *Guidance for clause 1.2*

451 If any entities included in the organization's audited financial statement, or in the financial information  
 452 filed on public record, are deemed by the organization not to be resident in any tax jurisdiction, the  
 453 organization can list them as 'stateless entities'.

454 *Guidance for clause 1.3*

455 A significant part of an organization's contribution to the countries in which it operates are the  
 456 salaries and wages it pays to its employees and their associated tax contributions.

457 Total employee remuneration represents the basis for calculating taxes withheld and paid on behalf  
 458 of employees and is also an indication of the scale of activity of the organization in a tax jurisdiction.

459 Total employee remuneration in a tax jurisdiction can reflect the business substance of the entities  
 460 within that jurisdiction, as it is likely to be aligned with the value provided by those entities to the  
 461 organization as a whole.

462 **Disclosure XXX-5 Country-by-country reporting**

463 **Reporting requirements**

464 **Disclosure XXX-5**

465 **The reporting organization shall report the following information for each tax**  
 466 **jurisdiction in which the organization has resident entities, as listed in Disclosure**  
 467 **XXX-4-a:**

468 **a. Revenues by:**

- 469 **i. third-party sales;**
- 470 **ii. intra-group transactions of the tax jurisdiction with other tax**  
 471 **jurisdictions.**

472 **b. Profit/loss before tax.**

473 **c. Tangible assets other than cash and cash equivalents.**

474 **d. Corporate tax paid on a cash basis.**

475 **e. Corporate tax accrued on profit/loss.**

476 **f. Reasons for the difference between corporate tax accrued on profit/loss and**  
 477 **the tax due if the statutory tax rate is applied to profit/loss before tax.**

478 **g. Significant tax incentives.**

479 **1.4 When compiling the information specified in Disclosure XXX-5, the reporting**  
 480 **organization shall:**

481 **1.4.1 include corporate tax accrued in the current year in the calculation of**  
 482 **corporate tax accrued on profit/loss, and exclude deferred corporate**  
 483 **tax or provisions for uncertain tax positions;**

484 **1.4.2 when reporting on Disclosures XXX-5-a, XXX-5-b, and XXX-5-c, and in**  
 485 **the calculation specified in clause 1.4.1, use the data stated in its audited**  
 486 **financial statements, or in the financial information filed on public**  
 487 **record. Where these data do not reconcile, the organization shall**  
 488 **provide an explanation for the difference.**

489 **Reporting recommendations**

490 **1.5 The reporting organization should report the following additional information for each tax**  
 491 **jurisdiction in which the organization has resident entities, as listed in Disclosure XXX-4-a:**

492 **1.5.1 Taxes withheld and paid on behalf of employees;**

493 **1.5.2 Taxes collected from customers on behalf of a tax authority;**

494 **1.5.3 Industry-related and other taxes or payments to governments;**

495 **1.5.4 Significant uncertain tax positions;**

496 I.5.5 Balance of intra-company debt held by entities in a tax jurisdiction and the average  
497 interest rate paid on that debt.

498 **Guidance**

499 *Background*

500 Country-by-country reporting provides financial, economic, and tax-related data, as well as data on  
501 other payments to governments made by an organization, for each jurisdiction in which the  
502 organization operates.

503 Corporate tax paid on a cash basis, corporate tax accrued on profit/loss, taxes withheld and paid on  
504 behalf of employees, taxes collected from customers on behalf of a tax authority, and industry-  
505 related and other taxes or payments to governments constitute a significant proportion of an  
506 organization's tax and payments to governments.

507 Revenues, profit/loss before tax, and tangible assets other than cash and cash equivalents are  
508 indicators of the organization's scale of activity within a tax jurisdiction. They are not absolute  
509 measures when considered on their own, but when read in conjunction with other required and  
510 recommended indicators, such as primary activities of entities, number of employees, and total  
511 employee remuneration, they can inform assessments about the level of taxes being paid in a  
512 jurisdiction.

513 *Guidance for Disclosure XXX-5*

514 Unless otherwise stated, country-by-country data is to be reported at the level of tax jurisdictions  
515 and not at the level of individual entities.

516 In addition to Disclosures XXX-5-a, XXX-5-b, and XXX-5-c, the reporting organization can disclose  
517 any other information it deems relevant for understanding the scale of its activity within a  
518 jurisdiction. The organization can also report any contextual information necessary to understand  
519 how the data have been compiled, such as any standards, methodologies, and assumptions used.

520 *Guidance for Disclosure XXX-5-a*

521 When reporting revenues for a tax jurisdiction, the organization is required to report third-party  
522 sales in the jurisdiction, and intra-group transactions between that jurisdiction and other tax  
523 jurisdictions. Intra-group transactions within the same tax jurisdiction are not included in this  
524 disclosure, but the organization can report this information separately.

525 Intra-group transactions between entities or related parties from different tax jurisdictions can  
526 influence the tax bases of the jurisdictions involved in these transactions. Intra-group transactions  
527 between entities or related parties within the same tax jurisdiction do not affect the tax base of the  
528 organization within that jurisdiction.

529 For this reason, revenues reported under this disclosure are a more appropriate indicator of an  
530 organization's scale of activity in a tax jurisdiction than aggregated revenues. Aggregated revenues  
531 face the risk that local revenues are double-counted, which might create a misleading impression  
532 among investors and other stakeholders about the organization's scale of activities in a jurisdiction.

533 *Guidance for Disclosure XXX-5-b*

534 When reporting profit/loss before tax for a tax jurisdiction, the organization can calculate the sum of  
535 the profit/loss before tax for all entities resident in the jurisdiction.



536 *Guidance for Disclosure XXX-5-c*

537 When reporting tangible assets for a tax jurisdiction, the organization can calculate the sum of the  
 538 net book values of tangible assets for all entities resident in the jurisdiction. Tangible assets, in the  
 539 context of this disclosure, do not include cash or cash equivalents, intangibles, or financial assets.

540 *Guidance for Disclosure XXX-5-d*

541 When reporting corporate tax paid on a cash basis for a tax jurisdiction, the organization can  
 542 calculate the total actual corporate tax paid during the reporting period by all entities resident in the  
 543 jurisdiction. It includes cash taxes paid by entities to the tax jurisdiction of residence and to all other  
 544 tax jurisdictions (e.g., withholding taxes suffered in other tax jurisdictions).

545 If withholding taxes are suffered in other tax jurisdictions, the organization can report the amount of  
 546 withholding tax paid to the other tax jurisdictions separately.

547 *Guidance for Disclosure XXX-5-f*

548 When reporting the reasons for the difference between corporate tax accrued on profit/loss and  
 549 the tax due if the statutory tax rate is applied to profit/loss before tax, the organization can specify  
 550 the reconciling items that explain the difference, per tax jurisdiction during the reporting period,  
 551 excluding deferred tax.

552 The organization can collate smaller reconciling items into a generic category, such as ‘other’,  
 553 provided these do not exceed 10% of the reported difference. A sufficient explanation of this  
 554 difference is meant to enable a third party to form a reasonably informed assessment.

555 In addition to providing a qualitative explanation, the organization can report a quantitative  
 556 corporate tax reconciliation. Positive and negative items cannot be offset in the quantitative  
 557 reconciliation.

558 *Guidance for Disclosure XXX-5-g*

559 Tax incentives refer to any special tax provisions where an entity benefits from preferential tax  
 560 treatment, for example, tax holidays, tax credits, or any entity-specific tax ruling.

561 When reporting significant tax incentives for a tax jurisdiction, the organization can also report the  
 562 expiration date, investment requirements, and likely long-term tenability of each tax incentive.

563 *Guidance for clause 1.4.2*

564 Audited financial statement refers to the audited consolidated financial statement of the organization.

565 *Guidance for clause 1.5.1*

566 Taxes withheld and paid on behalf of employees refer to taxes withheld by the organization from  
 567 employee pay to be paid to the tax authorities. These can include income taxes, payroll taxes, and  
 568 social security contributions.

569 *Guidance for clause 1.5.2*

570 Taxes collected from customers refer to taxes and duties charged on and collected on the sales of  
 571 certain goods and services. These are paid by the organization to the tax authorities on behalf of  
 572 customers.

573 *Guidance for clause 1.5.3*

574 Examples of industry-related or other taxes and payments to governments include:

- 575 • industry taxes (e.g., energy tax, airline tax);
- 576 • property taxes (e.g., land tax);
- 577 • product taxes (e.g., customs duties, alcohol and tobacco duties);
- 578 • taxes and duties levied on the supply, use, or consumption of goods and services considered to  
579 be harmful to the environment (e.g., vehicle excise duties).

580 *Guidance for clause 1.5.4*

581 When reporting significant uncertain tax positions for a tax jurisdiction, the organization can report  
582 the value of the tax positions in line with its audited financial statements, or the financial information  
583 filed on public record.

584 The organization can provide a description of tax positions that are not agreed with the relevant tax  
585 authorities at the year-end date (excluding current-year tax positions). The description can include  
586 the nature of the disagreement and the reasons for any change in tax positions that occurred during  
587 the year, where relevant.

**Question 3:**

The topic-specific disclosures in GRI XXX: Tax and Payments to Governments requires an organization to report on their entities and activities by tax jurisdiction and on their tax and payments to governments in different tax jurisdictions.

**Are any of the topic-specific disclosures in GRI XXX: Tax and Payments to Governments not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?**

*When reviewing the topic-specific disclosures, you might consider issues of commercial sensitivity, data management processes and other obstacles to reporting the information. If there is a specific part of the disclosures that you believe is difficult to report on, please outline the reasons why and whether this difficulty could be overcome over time.*

*When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)      Comment

Line number(s)	Comment

# 588 Glossary

589 This Glossary includes definitions for terms used in this Standard, which apply when using this  
590 Standard. These definitions may contain terms that are further defined in the complete [GRI Standards](#)  
591 [Glossary](#).

592 All defined terms are underlined. If a term is not defined in this Glossary or in the complete *GRI*  
593 *Standards Glossary*, definitions that are commonly used and understood apply.

## 594 **entity**

595 separate business unit of the organization that is included in the organization's audited consolidated  
596 financial statements

## 597 **principal entities**

598 entities that account for 90% of the turnover of the organization within a tax jurisdiction, which  
599 include domestic or international customers, and intra-group or third-party transactions

## 600 **tax jurisdiction**

601 State or non-State jurisdiction that has fiscal autonomy

## 602 **employee**

603 individual who is in an employment relationship with the organization, according to national law or  
604 its application

## 605 **governance body**

606 committee or board responsible for the strategic guidance of the organization, the effective  
607 monitoring of management, and the accountability of management to the broader organization and  
608 its stakeholders

## 609 **highest governance body**

610 formalized group of persons charged with ultimate authority in an organization

611 **Note:** In instances where the highest governance body consists of two tiers, both tiers are to  
612 be included.

## 613 **remuneration**

614 basic salary plus additional amounts paid to a worker

615 **Note:** Examples of additional amounts paid to a worker can include those based on years of  
616 service, bonuses including cash and equity such as stocks and shares, benefit payments,  
617 overtime, time owed, and any additional allowances, such as transportation, living and childcare  
618 allowances.

## 619 **worker**

620 person that performs work

621 **Note 1:** The term 'workers' includes, but is not limited to, employees.

622 **Note 2:** Further examples of workers include interns, apprentices, self-employed persons, and  
623 persons working for organizations other than the reporting organization, e.g., for suppliers.

624 **Note 3:** In the context of the GRI Standards, in some cases it is specified whether a particular  
625 subset of workers is to be used.

**Question 4:**

**Do you have any comments on the definitions included in the glossary of GRI XXX: Tax and Payments to Governments (line numbers 588 - 625)?**

*If you want to comment on a specific word, sentence, or paragraph in the glossary, provide the line numbers of the text your comment relates to.*

Line number(s)      Comment

Line number(s)	Comment

**Are there any additional terms in the draft Standard that need to be defined?**

*If there are any additional terms that need to be defined, please provide a suggested definition or reference an appropriate existing definition for the term.*

Line number(s)      Comment

Line number(s)	Comment

## 626 References

627 The following documents informed the development of the Standard and can be helpful for  
628 understanding and applying it.

629 **Authoritative intergovernmental instruments:**

- 630 1. International Financial Reporting Standards (IFRS) Foundation, *IAS 12 Income Taxes*, 2016.
- 631 2. Organisation for Economic Co-operation and Development (OECD), *Transfer Pricing*  
632 *Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report*, OECD/G20 Base  
633 Erosion and Profit Shifting Project, 2015.
- 634 3. United Nations (UN) Resolution, 'Transforming our world: the 2030 Agenda for Sustainable  
635 Development', 2015.

**Question 5:**

**Are there additional references, other than those listed in GRI XXX: Tax and Payments to Governments (line numbers 626 - 635), that could be useful in understanding and applying the Standard?**

Comment

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## Questions relating to the complete Standard

### **Question 6:**

The GRI Standards are designed to help organizations disclose meaningful and comparable information about their economic, environmental, and social impacts. This information can then be used by stakeholders such as investors, civil society organizations, and others, to make informed decisions.

The disclosures in *GRI XXX: Tax and Payments to Governments* allow report users to understand an organization's tax practices in relevant jurisdiction.

#### **Are there any disclosures in *GRI XXX: Tax and Payments to Governments* that are not critical to understanding an organization's tax practices?**

*When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)      Comment

Line number(s)	Comment

#### **Are there any critical disclosures missing from *GRI XXX: Tax and Payments to Governments* that are necessary to understanding an organization's tax practices?**

*When responding to this question, please provide a rationale for your comments. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)      Comment

Line number(s)	Comment



**Question 7:**

**If you are a reporting organization, do you believe the draft Standard as it is presented in this form and/or the topic of tax and payments to governments, would be material for your organization?**

*When responding to this question, please provide a rationale for your comments.*

*Comment*

**Question 8:**

**If you represent an organization that is currently reporting publicly on tax and payments to governments, how do the disclosures in GRI XXX: Tax and Payments to Governments compare to what you are currently reporting?**

*Comment*

**Is your organization subject to any existing public reporting requirements on tax and payments to governments? If so, which one/s?**

*Comment*

**Question 9:**

**Do you have any other comments or suggestions related to this draft Standard?**

*When responding to this question, please provide a rationale for your comments and/or provide an alternative wording suggestion, where relevant. If you want to comment on a specific word, sentence, or paragraph, provide the line numbers of the text your comment relates to.*

Line number(s)      Comment

Line number(s)	Comment

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