



Tax and ESG

Viewing tax through a new lens to deliver sustainable outcomes



Companies have been consistently **investing in sustainability** as a core pillar of their strategies and working to communicate their intentions clearly. However, one of the key metrics, tax, has largely remained absent from conversations about environmental, social and governance (ESG) issues.



A company's approach to taxation should not be viewed solely as a matter of compliance. In the context of ESG performance, taxes are becoming a powerful indicator of **how a company sees its role in society** and how committed it is to its purpose.

Introduction

Tax reflects a business's contribution – sometimes it's the largest one – to society. It is also a value driver for delivering on the business's ESG goals. Together, these traits put tax considerations at the core of ESG transformation of businesses.

Currently, public reporting on tax in India is limited. However, several leading companies have taken the approach of voluntary public disclosure of key tax aspects in several sectors – including pharma, metal and mining, technology and fast-moving consumer goods (FMCG). Organisations are seen publishing their tax metrics by way of tax strategies, tax transparency reports (TTR) and total tax contribution (TTC).

There is an increased pressure for change from investors and consumers, who expect businesses to embrace sustainability and increase tax transparency. New legislation and regulation will keep elevating the importance of building a clear plan, in order to manage tax reporting and transparency in a way that builds trust with key stakeholders.

All of these changes mean that companies today are increasingly viewing their tax strategy through an ESG lens. This means that they are considering tax implications for every part of the business – from finance to supply chains to employment and more.



Tax in environmental

- Environmental taxes, i.e. such as carbon, plastic, waste and water taxes
- Green subsidies and incentives
- Compliance and reporting requirements
- Carbon Border Adjustment Mechanism (CBAM)



Tax in social

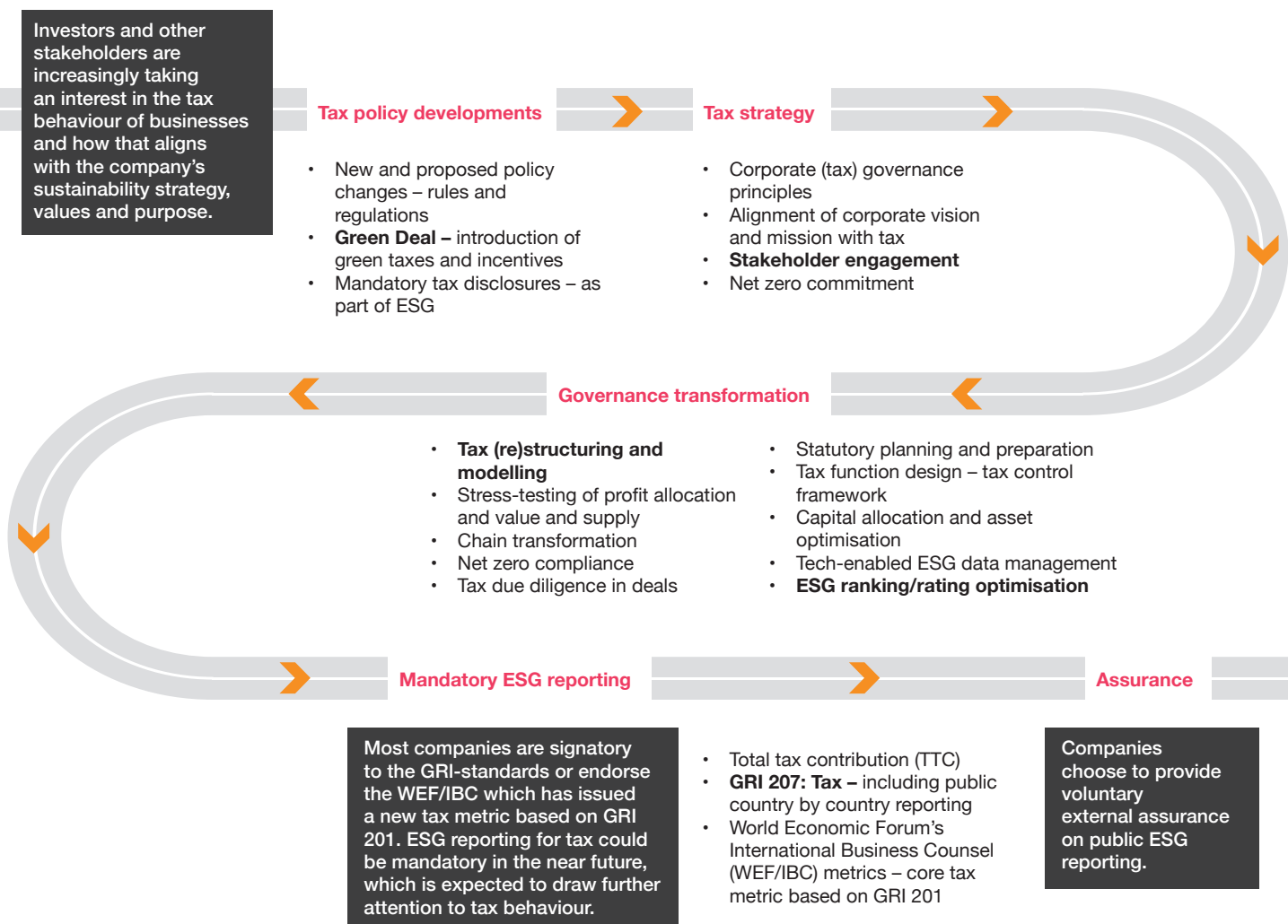
- Social insurance, healthcare and pension premiums
- Gig economy, internet of things (IoT), flexible workforce and global mobility
- Equal pay, living wages and remuneration policies



Tax in governance

- Aligning ESG policy with tax behavior
- Tax reporting and stakeholder communication
- Process controls and compliance assurance programme (cooperative compliance)

Tax and ESG journey

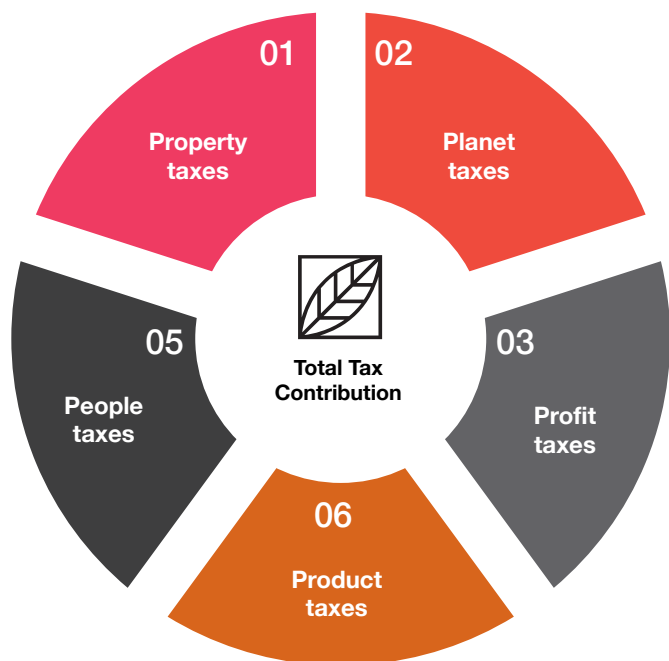


What is TTR?

A tax transparency report is a specially made document to communicate an organisation's societal contribution by way of taxes, its commitment to responsible tax behaviour and a narrative on tax matters of importance to the stakeholders.

What is TTC?

The TTC provides a framework and a standardised methodology for companies to measure and report on the taxes that they pay. It is straightforward in concept, non-technical, and thus, relatively easy for stakeholders to understand.

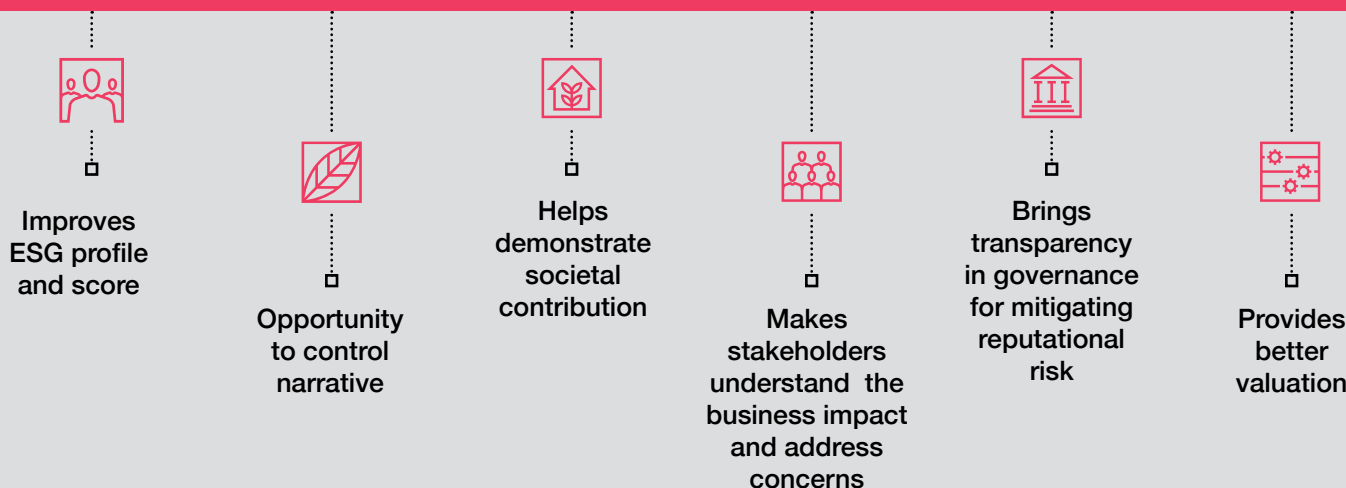


Why make a TTC disclosure?

- Recognised by WEF's IBC as one of the suitable metrics for ESG reporting
- Growing societal and political concerns about companies not paying their fair share of taxes – only considering corporate taxes
- Increased proliferation of other taxes (GST, carbon taxes, etc.)

Overall, while there is no mandatory requirement for companies in India to publish TTRs, doing so is an important step towards promoting trust, transparency and accountability among stakeholders.

Benefits



How can PwC help

The tax transparency landscape is evolving. Companies need to adapt to keep up with stakeholder expectations on tax disclosures. We can support you in:

- narrating your tax transparency strategy
- establishing the optimal reporting framework
- establishing processes and procedures for tax disclosures.

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