

# CORPORATE TAX: WHAT'S YOUR STORY?

Companies and wider society alike benefit from transparent, responsible tax strategies. But it won't happen on its own—it starts with you



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**THE B TEAM** ▶

# ABOUT THE B TEAM

The B Team is a global collective of business and civil society leaders working to create new norms of corporate leadership today, for a better tomorrow. Together, these leaders are holding themselves and their peers accountable for a new way of doing business—one that measures success not only by financial performance, but also by the health of people and our planet—for the benefit of generations to come.

The B Team was co-founded by Sir Richard Branson and Jochen Zeitz, and includes Leaders Ajay Banga, Oliver Bäte, Marc Benioff, Sharan Burrow, Kathy Calvin, David Crane, Emmanuel Faber, Christiana Figueres, Mats Granryd, Arianna Huffington, Dr. Mo Ibrahim, Yolanda Kakabadse, Isabelle Kocher, Guilherme Leal, Andrew Liveris, Indra Nooyi, Dr. Ngozi Okonjo-Iweala, François-Henri Pinault, Paul Polman, Mary Robinson, Ratan Tata, Hamdi Ulukaya, Zhang Yue and Professor Muhammad Yunus.



**“ WHEN COMPANIES COMMIT TO RESPONSIBLE TAX, THEY HELP TO BUILD THE FOUNDATION OF TRUST WE NEED FOR A WORLD THAT SUPPORTS THE PUBLIC SERVICES PEOPLE NEED.**

**Sharan Burrow**  
Vice Chair, The B Team and General Secretary, International Trade Union Confederation

**“ ECONOMIC GROWTH DEPENDS ON FAIR AND EFFECTIVE TAX SYSTEMS. RESPONSIBLE TAX IS A CRUCIAL PART OF THIS AND HELPS BUILD A FUTURE WHERE EVERYONE CAN TRULY THRIVE.**

**Oliver Bäte**  
CEO, Allianz Group



**“ BUSINESS MUST PLAY ITS PART IN DRIVING RESPONSIBLE TAX PRACTICE AND WORKING WITH GOVERNMENT AND REGULATORS TO ENSURE TAX HAS THE IMPACT THAT ORDINARY PEOPLE DESERVE.**

**Dr. Ngozi Okonjo-Iweala**  
Chair, Gavi: The Vaccine Alliance, Former Finance Minister, Nigeria and Former Managing Director, World Bank



# WHAT'S YOUR STORY?

It has never been more important for business to practice responsible corporate citizenship—and to tell a powerful story of why. A surge of public interest in climate change and social equality has thrust company environmental and diversity policies into the spotlight. It is equally critical to have a clear and compelling story to tell around tax—one that reflects your journey.

Companies can no longer focus solely on their shareholders or financial performance. The level of scrutiny that corporate behavior is facing from the media, government, NGOs and employees is unprecedented—and includes an ethical approach to taxation.

The issue of tax is, after all, deeply personal. Everyone pays it—in some form—and it is used to fund the essential public services and infrastructure required to allow societies to flourish.

But corporate tax is a complex issue. And even those companies that are taking a responsible approach sometimes struggle to communicate in an accessible, approachable way. That is one of the reasons why a number of leading companies, supported by The B Team, created the Responsible Tax Principles in partnership with civil society, investors and international institutions. They could be the missing ingredient you need to advance your journey and tell your corporate tax story.



## WHAT PEOPLE THINK ABOUT CORPORATE TAX

- 1** ▶ **64%** of survey respondents in a US poll say they are bothered a lot by the feeling that some corporations are not paying their fair share of tax<sup>1</sup>
- 2** ▶ **9 out of 10** people believe tax avoidance by large companies is morally wrong, even if technically legal, and 85% believe it is too easy for large companies to avoid paying tax<sup>2</sup>
- 3** ▶ **Tax avoidance** tops the ranking of the biggest issues around corporate behavior that need addressing, named by 33% of respondents to a survey<sup>3</sup>

<sup>1</sup> Pew Research Center survey, 2015

<sup>2</sup> Christian Aid poll, 2017

<sup>3</sup> Attitudes of the British Public to Business Ethics 2018, Institute of Business Ethics

Trust in business has been eroded over recent years, not least due to the widespread perception that too many companies are avoiding paying their fair share of tax. Incidents such as the 2016 leak of the Panama Papers only exacerbated an already deep-rooted belief that corporate tax avoidance is pervasive.

Trust is critical for business. Public expectations of corporate behavior are high. Responsible practice, including a compelling narrative around tax, is central to corporate credibility. Put simply, stakeholders want companies to pay their taxes. Making a public commitment to do so, and starting your journey, are powerful statements that you are on the right road.

“ **OUR ATTITUDE IS THAT TAX PLANNING IS NOT A GOAL IN ITSELF, BUT SHOULD BE UNDERTAKEN TO SUPPORT THE BUSINESS STRATEGY WHILE BEING BOTH TAX-EFFICIENT AND LEGALLY COMPLIANT.**

**Ralf Chalupnik**  
Director of Tax Policy, Allianz Group



**TRANSPARENCY → TRUST**

## HOW TRANSPARENT CORPORATE OWNERSHIP CAN REBUILD TRUST

Corporate ownership can too often be obscured by complex webs of anonymous shell companies. But Brazilian cosmetics giant **Natura**, which endorses the Responsible Tax Principles, believes that transparency around corporate ownership is crucial to rebuilding trust.

Transparency reduces the risk of money laundering, bribery, sanction avoidance and, critically, harmful tax practices. Working with The B Team, Natura made the decision to become one of the first companies in the world to make its ownership structure public.

By demonstrating a clear commitment to transparency, the company has built trust among its stakeholders and distinguished itself from those using anonymous and opaque structures. It has shown that openness around ownership is not only possible, but beneficial.

This transparency around the company's ownership structure helps revenue authorities to ensure that the right amount of tax is paid in the right jurisdictions. It also makes it possible for anyone to connect the dots between a company and its contributions to society.

# A BETTER WAY



## STAKEHOLDER ENGAGEMENT AND RESPONSIBLE TAX PRACTICE

**Shell's** decision to sign up to The B Team Responsible Tax Principles resonated throughout its stakeholder community, notably among staff.

After Shell published full country by country tax information in its 2018 Tax Contribution Report, interest among the company's employees around the globe was striking. Multiple pages of positive comments were shared by staff on the company's intranet.

"The feedback we received was that employees wanted to feel that they were working for a company that was committed to doing the right thing and that was paying the appropriate level of tax," says Catharina Clabots, VP Downstream Tax, Shell International Ltd. "The publication of our Tax Contribution Report had a demonstrable impact on morale."

The effects of full disclosure were felt among the company's wider stakeholder community, too—Shell's commitment to tax transparency was welcomed by NGOs and policymakers. And its commitment to tax transparency, compliance and maintaining a constructive and open relationship with policymakers and NGOs active on responsible tax—underpinned by The B Team Responsible Tax Principles—sends an important signal.

Committing to paying tax responsibly can fundamentally change a company's relationship with its stakeholders. At a time when advocacy groups and journalists are engaging ever more with companies over their corporate tax policies and payments, the Responsible Tax Principles can help build a framework for constructive dialogue with those groups. But in order to earn a seat at the table, to be able to tell your story, you need to start your responsible tax journey.

An ethical approach to tax can also have a profound impact on what is arguably a company's most important stakeholder group—its employees. As fundamental societal values shift, it is becoming increasingly important to people—not least younger generations—to work for a company that mirrors those values.

"More stakeholders than ever are interested in the taxes that companies pay—governments and tax authorities, the media and the general public, company employees, to name but a few," says Dominic Mathon, Head of Group Taxation at business information and analytics company RELX. "Publishing a responsible tax strategy is a great way to start a dialogue with them."

# BUILDING A BETTER WORLD

Governments use tax to deliver the infrastructure and public services required to create a stable, fair and inclusive society. Companies benefit from this infrastructure every day. It brings them qualified, healthy employees. It secures them safe roads and communities. Tax is an investment in the business environment.

Tax revenue is also critical to meeting the UN Sustainable Development Goals—a blueprint for peace and prosperity, now and into the future. Tax is, in short, fundamental to building a better world.

Telling your tax story helps to show that you are a good corporate citizen—that you have earned your social license to operate. Corporate tax is a contract between business and society. It is a contract that no company can afford to break.



“ MULTINATIONAL COMPANIES NEED TO DEMONSTRATE THE BENEFITS THEY BRING TO COUNTRIES AND COMMUNITIES. TAX TRANSPARENCY IS NO LONGER A ‘NICE TO HAVE’ BUT AN ABSOLUTE MUST.

Ann-Maree Wolff  
Head of Tax, Rio Tinto

## PROMOTING TAX COMPLIANCE IN THE SUPPLY CHAIN

As Kenya's biggest corporate taxpayer, mobile network operator **Safaricom** recognizes that it has a vital role to play in supporting the country's development. Adopting The B Team Responsible Tax Principles, to show that it abides not only by the letter of the law, but also by its spirit, is an integral part of the company's approach.

In addition to proactively engaging with the Kenyan Revenue Authority (KRA) to ensure its own tax compliance, Safaricom also demands compliance of its supply chain. And if the tax compliance of one of its vendors is in question, it will work with them to address the issue.

Safaricom is also attempting to create a culture of responsible tax more widely across Kenya and beyond, by hosting forums for suppliers and partner agents to raise awareness. In addition, it has created a mobile pay bill account for the KRA, enabling tax payments to be made by mobile phone.

"We understand the importance of tax compliance, and therefore have a constructive working relationship with the KRA," says Vincent Opiyo, Safaricom's Head of Finance Operations. "But we also know that we can support tax compliance among our vendors and partners—that is why we make compliance a requirement of the many companies we work with and why we support them to be responsible taxpayers."

## TAX AND THE SUSTAINABLE DEVELOPMENT GOALS



The United Nations Sustainable Development Goals (SDGs), agreed in 2015 by all nations, are the established global framework for the economic and social transformations needed to help create a world that is socially fair, environmentally secure, economically prosperous and more inclusive.

Corporate taxes are a critical resource to help create this world through enhanced public services and investment to reach these goals:

- Taxation links companies, governments and people
- Clear tax rules, robustly applied, can help enable businesses to invest and to contribute to

economic growth in a particular country or area

- Taxes can be used as a policy tool for sustainable development
- Taxes provide a means for societies to redistribute resources
- New business models are needed for sustainable development and tax systems will have to keep pace

# THE STORY STARTS WITH YOU

The B Team Responsible Tax Principles provide a framework to guide corporate behavior. They send a signal to employees and improve staff morale. They help companies to establish credibility with policymakers and to build bridges with tax advocacy groups. They demonstrate that companies understand the link between tax payments and the environmental, social and governance (ESG) agenda. They help bring greater confidence in public attention to tax.

In order to start telling your tax story more effectively, to build better relationships with stakeholders, to deepen their trust and reap the benefits, you need to start your journey. Join a powerful core of companies that are setting a new bar for responsible tax.



“ WE NEED AN ECONOMIC TRANSFORMATION—ONE THAT DRIVES INVESTMENT AND REVENUES FOR GOVERNMENTS AND EMPOWERS CITIZENS TO HOLD THEM TO ACCOUNT. RESPONSIBLE TAX PRACTICE PLAYS A CRUCIAL ROLE IN THIS, BUT IT CANNOT BE DONE BY A SINGLE COMPANY, SECTOR OR ORGANIZATION. WE MUST WORK TOGETHER.

Guilherme Leal  
Co-Founder and Co-Chair, Natura

## THE B TEAM RESPONSIBLE TAX PRINCIPLES

### 1 ► ACCOUNTABILITY AND GOVERNANCE

Tax is a core part of corporate responsibility and governance and is overseen by the board of directors.

### 2 ► COMPLIANCE

We comply with the tax legislation of the countries in which we operate and pay the right amount of tax at the right time, in the countries where we create value.

### 3 ► BUSINESS STRUCTURE

We will only use business structures that are driven by commercial considerations, are aligned with business activity and which have genuine substance. We do not seek abusive tax results.

### 4 ► RELATIONSHIPS WITH TAX AUTHORITIES

We seek, wherever possible, to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust.

### 5 ► SEEKING AND ACCEPTING TAX INCENTIVES

Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks.

### 6 ► SUPPORTING EFFECTIVE TAX SYSTEMS

We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration.

### 7 ► TRANSPARENCY

We provide regular information to our stakeholders, including investors, policy-makers, employees, civil society and the general public, about our approach to tax and taxes paid.



TO FIND OUT HOW THE B TEAM COULD HELP YOU TO TELL YOUR CORPORATE TAX STORY, GO TO [BTEAM.ORG/RESPONSIBLETAX](https://BTEAM.ORG/RESPONSIBLETAX) OR CONTACT [GT@BTEAM.ORG](mailto:GT@BTEAM.ORG)



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