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Who’s Paying What, and Where? Insights About the Global Shift Toward Tax Transparency

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Taxes are an unavoidable aspect of our lives and play a crucial role by shaping how a country grows and serves its people. Beyond being a financial obligation, taxes represent the primary source of government revenue, directly supporting social and economic objectives.

The connection between tax and ESG is primarily rooted in its Social (S) implications, particularly in how companies contribute to public finances, by funding education, healthcare, infrastructure, national defense and social security.

For this reason, aggressive tax avoidance can damage corporate reputation, often through public “tax shaming”, as consumers increasingly favor companies that fairly contribute to society. As a result, companies must consider the visibility of their “fair” contribution to society—supporting public services, infrastructure, economic growth, and social welfare.

The Environmental (E) pillar can also part of the tax strategy, as it involves the use of environmental tax incentives – for example, how a company uses tax credits for green energy, research and development or carbon reduction -, as well as its exposure to carbon taxes or emissions trading schemes as financial risks.

Tax can equally be tied to Governance (G) aspects. For example, ethical companies commit to paying taxes where economic activity takes place, rather than shifting profits to low-tax jurisdictions. Furthermore, understanding how tax risks and policies are governed at the board level is an important indicator of good governance and it is closely linked to anti-bribery and anti-corruption policies.

The global tax landscape is undergoing major change, with increasing pressure from the public and policymakers to address unfair tax practices, especially by large corporations. In this context, tax transparency has emerged as a keyway for businesses to demonstrate responsible tax behavior. Stakeholders increasingly want to know where companies pay taxes, how much they pay, and how they manage tax risks.

For companies, being transparent is a way to build and protect their reputation, earning trust and credibility not only with investors, employees, regulators, and policymakers, but also with customers.

When effectively disclosing their contributions, tax transparency ensures that governments, stakeholders, and the public have clear insight into taxes paid, tax planning strategies, litigation procedures, and compliance with tax laws. It plays a critical role in the fight against tax evasion, aggressive tax avoidance, and base erosion and profit shifting.

Therefore, voluntary tax transparency refers to companies proactively disclosing tax-related information beyond legal requirements. This may include country-by-country tax payments, explanations for tax planning decisions, and commitments to responsible tax practices. Being voluntary, it is frequently pursued for several reasons:

1. Building Trust with Stakeholders – Investors, customers, and employees increasingly expect corporations to act responsibly.
    - Reputation Management – Avoiding accusations of aggressive tax avoidance or unethical tax planning, which can lead to “tax shaming.” Starbucks and Amazon, for instance, faced a public backlash over tax avoidance, damaging their reputations and prompting regulatory scrutiny.
2. Regulatory Readiness – Preparing for future mandatory disclosure requirements.
3. Sustainability & ESG Integration – Tax transparency is becoming a core part of ESG strategies as the payment of “fair share” of taxes is fully linked with “E” and “S” pillars, besides being a strong sign of a well-managed “G”.

It reflects a growing trend among corporations to uphold transparency, integrity, and accountability in tax practices. One widely used framework is the GRI Tax Standard 207-2020, introduced by the Global Reporting Initiative (GRI) in 2019. It represents the first global standard dedicated to tax transparency within the ESG framework. This comprehensive approach enables organizations to inform stakeholders with a clear and detailed view of their tax practices, as it encourages companies to voluntarily disclose:

- Tax strategy and governance
- Public country-by-country reporting (pCbCR)
- Tax risk management approach

Companies like Vodafone, Shell, Vale and Anglo American have adopted GRI 207 reporting.

Additionally, the Fair Tax Mark, a UK-based certification, recognizes companies that voluntarily disclose fair and responsible tax practices. It serves as a “gold standard” of responsible tax conduct and certifies that a business:

- Follows both the spirit and the letter of the law
- Avoids tax avoidance practices such as the artificial use of tax havens
- It is transparent about profits made and taxes paid

Companies like Timpson, Lush, and SSE have received this accreditation, signaling their commitment to paying fair taxes.

Also, the B Team, a global nonprofit focused on responsible business practices, has also developed Responsible Tax Principles. These have been endorsed by companies such as Unilever, Allianz, Maersk, Natura Cosméticos, and Novozymes. These principles emphasize transparency, fair tax contributions, and collaboration with tax authorities.

Final Thoughts

Tax practices were traditionally viewed as financial or legal matters, separate from ESG concerns. However, stakeholders, including investors, regulators, and consumers, now see tax as a central component of corporate responsibility and ethical governance.

It is important to recognize that companies are at different stages in their journey toward tax transparency. There is no one-size-fits-all approach, as motivations and capacities vary.

Nonetheless, a clear trend is emerging: more large multinational groups are choosing to publicly share tax-related information as part of their broader commitment to transparency.

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