The Role of Tax Transparency Reporting in Corporate Governance and Social Responsibility Reporting

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Abstract More firms are choosing to be more forthcoming with their tax information. What could be the reason for this change? This study examines the link between tax transparency reporting in corporate governance and corporate social responsibility reporting (CSR). Previous studies have been focused on tax avoidance and the link between corporate governance and CSR. This study systematically reviews literature to understand the role of tax transparency reporting in corporate governance and social responsibility reporting. The realisation that a number of multinational firms such as Amazon, Starbucks and Google pay virtually no tax has sparked public debate. These firms "tax practices may have been legal, but the "tax shaming" of these firms has resulted in public outrage and brand boycotts. The study investigated whether corporate governance and CSR are motivating companies to disclose their tax affairs voluntarily in their annual financial reports. The literature review revealed that the payment of taxes is a form of CSR. The study further revealed that good corporate governance equates to more voluntary disclosure of information and that good CSR disclosures are adversely aligned to tax aggressiveness, however the act of paying taxes outweighs other voluntary tax disclosures with regards to contributing towards CSR efforts. Therefore, for tax transparency to be perceived in a positive light, companies must pay taxes beyond any other voluntary tax disclosures. This link could be extremely useful to regulators and business managers so that they can strive to meet their corporate governance and social responsibility mandate through tax transparency disclosures.

Keywords Tax Transparency · Corporate Governance and Social Responsibility

1 Introduction

"Tax transparency isn't coming–it's already here." (Alexander, 2013).

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Until 7 March 2023 reporting non-financial information on tax has largely been voluntary, however guidelines do exist, and more companies are choosing to improve their tax transparency, although it is not mandatory. Companies are motivated by distinct reasons that lead them to disclose information voluntarily in their annual financial reports. The purpose of this study is to investigate whether corporate governance and CSR are two of the reasons for this.

The aim of corporate governance is to balance the interests of a company's stakeholders (King III, 2009). On the one hand, it can be argued that tax transparency disclosures should fulfil the interests of most stakeholders, as this appears to be one of the largest expenses for a company. On the other hand, prior literature indicates that managers believe they benefit more from tax avoidance because that enables them to meet the company's profit bottom line (Sikka, 2010; Fisher, 2014). This demonstrates that managers (who are also stakeholders) have significant power to influence the company and if they believe an action to be necessary that is what the company will implement (Armstrong et al., 2015).

EY (2013) is of the view that being more transparent about tax is beyond simply being responsive to key stakeholders now demanding more information. This illustrates that tax transparency goes beyond fulfilling the corporate governance needs of society. Transparency places the organisation in a position to engage effectively with its stakeholders, in doing so, it becomes evident that tax transparency fulfils certain needs of stakeholders and can be seen to achieve or enhance corporate governance in organisations. In addition, EY (2013) also highlighted that there are other stakeholders involved, such as consumers, non-governmental organisations and the media, who are nowadays much less likely to read detailed financial statements. These stakeholders focus on the companies' contribution to the economy and whether the behaviours of the company conform to the norms of society. Other groups of stakeholders, therefore, view tax transparency and paying taxes as the action of a company meeting its CSR objectives (EY, 2013).

Deloitte (2016) issued a report detailing the key tax transparency developments in 2015/2016. Broad transparency trends and developments include:

- Increased disclosure of total taxes paid/tax contributions by companies. Most companies disclosed the split between different taxes paid and contributed.
- Disclosure of tax-related governance: the majority provided details of the processes for setting and adhering to tax policies and strategies.
- The expectation of businesses to assess their broader stakeholder needs in relation to the tax information.

As a result, Deloitte (2016), argues that more companies are choosing to disclose information voluntarily because it helps them to fulfill their corporate governance responsibilities, as well as their corporate social responsibilities.

Previous studies have been centered on understanding the advancements in tax research in financial statements and the applicability to tax avoidance (Graham et al., 2012; Hanlon & Heitzman, 2010; Wilde & Wilson, 2018). However, the role of tax transparency in corporate governance and CSR has been neglected. The benefits of tax transparency depend on whom the information is to be provided to and for what purpose (PWC, 2013). For tax transparency to play a role in CSR, it must be seen to benefit the public, to be aware of tax information and to legitimise the company.

The objective of the study is to investigate whether corporate governance and CSR are possible reasons for companies voluntarily disclosing tax information. This objective was satisfied by using a systemic review of literature. Venter et al. (2016) argue that, on average, companies that are more transparent in their tax disclosures are also strong in governance and social performance. The remainder of the study is structured as follows: Section 2 provides a review of the literature on accounting theories, corporate governance, CSR and tax transparency initiatives. Section 3 explains the methodology. Section 4 presents the results and Sect. 5 explains the results, concludes the study, and suggests areas for future research.

2 Literature Review

2.1 Theories

2.1.1 Legitimacy Theory

"Legitimacy consists of generalised perceptions or assumptions that the actions of an entity are desirable, proper or deemed socially appropriate by norms, values or beliefs." (Suchman, 1995). Legitimacy theory asserts that organisations are continually seeking to ensure they are perceived as operating within the norms imposed by society (Deegan, 2013).

According to Lenter et al. (2003), society's beliefs were focused on disclosure, which was seen to be legitimate, mainly because it was perceived to facilitate supervisory controls and prevent firms from abusing their power. It was also seen to deliver socially desirable behaviour to society. In 1924, public disclosure was enforced for both individual and corporate taxpayers. In that year, the New York Times published taxes paid by thousands of people together with prominent names of corporations and individuals who had paid no income tax (Lenter et al., 2003). However, many opposed this system of making tax returns public as they argued that by disclosing the names of wealthy taxpayers made them targets of fraud and that business secrecy would be compromised. Shortly afterwards the law was changed so that only the names and addresses of taxpayers and not their tax liabilities were public (Lenter et al., 2003). Therefore, it appears that according to society, it was illegitimate to disclose taxes due to the drawbacks that came with disclosing—fraud, for example.

According to O'Donovan (2002), corporations with elevated levels of legitimacy will try to alter public perceptions. This negates the aspect of legitimacy theory that states that if society's expectations about performance change, an organisation will need to show that it is also changing (Deegan, 2013). According to Sari and Prihandini (2019), disclosure is done to reduce community concerns and ensure the community's concerns regarding the company are addressed.

Davis et al. (2016) indicates that companies increase ESG (Environmental Social Governance) disclosures in order to alleviate community concerns regarding low tax payments in order to increase legitimacy. Therefore, as per the legitimacy theories premise voluntary tax disclosures would occur if the disclosures were perceived to legitimise the entity.

2.1.2 Agency Theory

Agency theory is the relationship between principals and agents in business, and it is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different appetites for risk (Deegan, 2013). Agency relationships are common in the financial advisory field, and therefore an agent may advise a principal to be transparent—or not—with their tax reporting. Whatever the agent does is on behalf of the principal.

According to the USA (United States of America), one of the concerns in 2002 was that companies were overstating their revenues for financial accounting purposes and understating their income for tax purposes (Lenter et al., 2003). This was an illegal practice that tainted the principal. Further analysis revealed that this was done by the financial advisers (agents) and not the principals. In this situation, the agent did not want to disclose tax matters because in doing so the illegal activity occurring would become known to the public and the principal, as well as the agent, would lose their credibility in the public eye. This illustrates that tax transparency is considered good if it meets the needs of important stakeholders and the company (Hansen & Wernerfelt, 1989).

2.1.3 Stakeholder Theory

There are some similarities between legitimacy theory and stakeholder theory as both theories conceptualise the organisation as part of a broader social system. Stakeholder theory, however, provides a more refined resolution by referring to groups within society (Deegan, 2013). In 1976, proponents of public disclosure of corporate tax return information argued that disclosure will aid government regulators to improve the functioning of financial markets, promote increased tax compliance, and increase political pressure for an honest tax system (Lenter et al., 2003). According to Lenter et al. (2003), disclosure was conducted because it would satisfy all stakeholders' needs, regardless of the power they held, and the business is managed for the benefit of all stakeholders. Being forthcoming with tax information is for the benefit of all stakeholders as the entity is then transparent. Examples of stakeholders in an organisation are shareholders, creditors and the government.

The ethical branch of the stakeholder theory indicates that all stakeholders have the same rights to be treated fairly by an organization. The ethical branch of the stakeholder theory implies that the theory has a true CSR. (Deegan, 2013).

Therefore, voluntary tax disclosure as per the stakeholder theory will occur if it is perceived to achieve the corporate social responsibility mandate.

Based on the stakeholder view it is implied that tax payment is a pivotal element of a company's CSR practices (Lin et al., 2017). A motive for the disclosure of more CSR is to ensure stakeholders perceptions are managed. Healy and Wahlen (1999); Yuthas et al. (2002) have indicated that managers use financial disclosures and their judgement in financial reports as an impression management tool in order to influence the perceptions and decisions of stakeholders.

2.1.4 Institutional Theory

The institutional theory considers the form of organisations and provides explanations for organisations in a similar field in business tending to take on similar characteristics and form in business (Deegan, 2013). It allows a view of economic resource dependency incentives for accounting rule choice (Deegan, 2013). Institutional theory views organisations as operating within a social framework of norms, values and elements that constitute appropriate or acceptable economic behaviour (Matten & Moon, 2008).

In 1934 a Senate Committee on Banking and Currency Investigation of Financial Institutions, motivated by the 1929 stock market crash, revealed that many owners had not paid income tax in the years since the crash. Furthermore, the USA Congress decided to have publicity provisions inserted in the 1934 Revenue Act which raised individual income tax rates marginally higher for high-income earners (Lenter et al., 2003). It is evident from the occurrences in 1934 that institutions in the same field, in this case, financial institutions, react similarly. Most of them did not pay their taxes during the stock market crash or for a while afterwards, which was the norm for the industry at the time.

However, after the publicity provision was inserted, it was a way to demonstrate the honesty of tax administrations by preventing officials from favouring high-income taxpayers (Lenter et al., 2003). Financial institutions started paying their income taxes because tax information would be public knowledge.

2.2 Corporate Governance

Corporate governance is a system of rules and practices by which a company is managed (Tricker & Tricker, 2015). Companies that voluntarily disclose information are focused on the needs and interests of stakeholders, which indicates that there is a link between corporate governance and tax transparency (PWC, 2016). Corporate governance can be described according to two opposing models, one being the shareholder model and the other being the stakeholder model (West, 2006). The shareholder model is based on the belief that a company is an extension of its owners (shareholders). In contrast, however, the stakeholder model view is that a company has a responsibility towards the various shareholders (West, 2006). There is a common belief that companies with better governance disclose more information to external parties and are more transparent, due to the monitoring occurring in the entity (Beekes et al., 2016). Corporate governance structures in place in common law countries are expected to encourage corporate disclosure mainly because failure to disclose may result in penalties and reputation loss for the managers of the company (Beekes et al., 2016).

According to West (2006), the corporate governance model in South Africa is one in which the company is seen as a social entity that has a responsibility towards its many stakeholders. This implies that companies may view tax transparency as a crucial element. According to King IV (2016), those charged with governance must oversee and monitor economic activities, and this includes ensuring that the entity adheres to a transparent tax policy (King IV, 2016). Those in governance positions, directors and CEO's (Chief executive officers) play a key role in selecting a tax management strategy (King IV, 2016). Minnick and Noga (2010) are of the view that governance plays a role in tax management because those in charge of governance are charged with a responsibility to ensure allocation of resources, including the management and payment of taxes. Companies with better governance do not have lower effective tax rates, but they do pay less in cash taxes (Minnick & Noga, 2010). This illustrates that if tax is managed effectively by those charged with governance activities, then it can become a value-maximising activity, further illustrating that good corporate governance is complemented by tax management (Brown et al., 2011).

One of the foundation stones of King IV (2016) is stakeholder inclusivity. The stakeholder, who is the manager in this case, is there to ensure that companies understand the legitimate needs and expectations of a company's major stakeholders (King IV, 2016). Currently, some companies have appointed a corporate stakeholder relationship officer whose task is to communicate with stakeholders and keep management informed (King IV, 2016). The implementation of stakeholder inclusivity, therefore, illustrates that corporate governance is perceived by companies as a crucial element. Because of stakeholder management, it can further be deduced that if stakeholders are interested in or require tax transparency disclosures, those responsible for corporate governance will ensure that this is communicated to government and so stakeholder needs are fulfilled.

A recent worldwide trend indicates that company management acts to minimise corporate taxes through tax aggressiveness activities (Lanis & Richardson, 2011). Being tax aggressive has both negative and positive effects. The benefits are tax savings for the companies; however, that can become negative if companies must pay penalties and suffer reputational risk from not paying equitable taxes (Lanis & Richardson, 2011).

The literature provides contradictory evidence on the link between corporate governance and tax avoidance. Desai and Dharmapala (2006) are of the view that tax avoidance reduces corporate transparency, which in turn allows managers to use the resources to grow the company. Therefore, entities might not be transparent with their taxes, but still use their profits for the growth of the company, and this could still satisfy the needs of some stakeholders. However, Minnick and Noga (2010) found that the link between corporate governance and tax avoidance was virtually non-existent.

Deegan (2013) is of the view that different managers will have different perceptions about how society expects the organisation to behave. Therefore, the legitimacy theory may or may not apply to society in general, as different managers have different perceptions about society's expectations. It is, however, important to note that stakeholders with power will make the decisions on what to disclose, if it aligns with their views about what benefits society (Deegan, 2013).

Integrated thinking and corporate governance are strongly and positively correlated (Venter et al., 2016). Furthermore, it was found that companies with elevated levels of integrated thinking are more transparent with their tax information; this implies that tax transparency disclosure is a part of fulfilling the company's corporate governance initiative and integrated thinking requirements (Venter et al., 2016).

There are no legal or moral reasons compelling directors to engage in tax evasion or avoidance (Sikka, 2010). There are also no laws in place that require directors to increase profits by specifically avoiding taxation, therefore, directors will choose to increase profits at the expense of not paying taxes if this improves the profit bottom line thereby increasing profits and ensuring sustained growth (Hasseldine & Morris, 2013). There might also be a role that tax transparency plays in corporate governance, but this might not be significant enough for the entity to pay taxes and to be transparent about this (Hasseldine & Morris, 2013). CG and CSR support compliance with financial transparency and information disclosure (Popescu, 2019).

2.3 Corporate Social Responsibility (CSR)

CSR is topical in both business and academics (Brooks & Oikonomou, 2018). According to the principles illustrated in Principles for Responsible Investment (PRI), paying the fair share of taxes is among the key ESG factors (Gasperini, 2020). CSR is the corporation's initiative to assess and take responsibility for the company's influence on society that goes beyond that which is required by regulators (National Academy of Sciences;, 2007). Lanis and Richardson (2011) argue that the higher the level of CSR disclosure in a corporation, the lower the level of corporate tax aggressiveness. The results from Lanis and Richardson's (2011) study were that the higher the level of CSR disclosure of a corporation, the lower the corporate tax aggressiveness and that the relationship between CSR disclosure and tax aggressiveness is negatively significant.

The corporate world has changed; CSR was once considered the sole responsibility of the state. However, businesses are now expected to voluntarily and actively mitigate climate change to ensure that the environment in which they operates is protected (Gjølberg, 2009). Stakeholder's expectations of companies have changed, and CSR is an important initiative for citizens because it is now the responsibility of corporates as well (Gjølberg, 2009). According to King IV, one of the governing body's responsibilities is to ensure that the organisation is seen to be a responsible citizen and for them to do this, must ensure compliance with the South African Revenue Service (SARS) legislation (King IV, 2016).

Concerns regarding tax disclosures emerged due to the scandal surrounding ENRON and the pressure for companies to be more transparent in tax management, predominantly concerning taxes being paid in developing countries (Muller & Kolk, 2015). The reason for this was that CSR in developing countries involves contributing towards taxes (Muller & Kolk, 2015). The downside is that developing countries are faced with challenges in enforcing tax legislation as well as monitoring the implementation of laws and legislation and this creates an opportunity for tax avoidance on the part of multinational entities (Muller & Kolk, 2015).

Muller and Kolk (2015) argue that due to their size, multinational enterprises (MNEs) are exposed to scrutiny from various stakeholders when they decide to implement low CSR activities. This may result in reputational risk, as they are regarded as irresponsible. Furthermore, if MNEs perceive tax to be a component of CSR then MNEs will appear to be more socially responsible in their business operations, specifically regarding taxation (Muller & Kolk, 2015).

The payment of taxes provides for corporate claims of social responsibility as it allows for wealth to be transferred to society through the government (Sikka, 2010). According to Sikka (2010), the act of paying taxes is being socially responsible. Companies may excel at talking about social responsibility and the activities they perform, but they still go to great lengths to evade taxes, thereby illustrating that the two may not be positively linked at all (Sikka, 2010).

In the Starbucks case, CSR was seen by society as actually paying taxes and not just being transparent about the tax liability, or in the Starbucks situation, being transparent about a lack of tax liability (Campbell & Helleloid, 2016). Although Starbucks had a brand and a good reputation for CSR in other spheres of their operations, this disintegrated quickly in the United Kingdom (UK) when it was discovered that they paid no corporate taxes (Campbell & Helleloid, 2016). Even though Starbucks ensured it paid its workers a fair wage and that it was ethical in its interactions with suppliers, society questioned their CSR, indicating that what they were doing correctly was not enough for them to disregard the fact that they were not paying any taxes (Campbell & Helleloid, 2016). To illustrate this, in 2013 (the year following the UK tax avoidance reports), Starbucks reported the first-ever decline in UK sales (Campbell & Helleloid, 2016), demonstrating that citizens view the act of paying corporate tax as fulfilling CSR. The payment of income tax is now seen as a dimension of CSR, and it continues to draw attention from regulators, legislators and the media (Campbell & Helleloid, 2016).

Global CSR initiatives are different from one another. This indicates that CSR activities are not only related to firm-specific factors, but also to the political economy in which they function and factors such as whether the economy is national or international (West, 2006).

There are a few companies that refer to the payment of taxes in their CSR reports; however, their claims of ethics, integrity, honesty and transparency should apply to all aspects of their business (Sikka, 2010). It is interesting to note that CSR was abandoned by many developing world companies until the recession in the United States of America (USA) in 2008, which awakened leaders and resulted in them taking more responsibility for ensuring that business gives back to the communities in which they operate (Suliman et al., 2016).

Ho and Wong's (2001) results supported the notion that large companies disclose more information than smaller companies. The reason for this could be that society's expectations of large companies are greater because they make greater profits from the community and society would is anxious to know how the profits are being utilised.

According to the UK Human Rights Act, 1998, companies are entitled to the peaceful enjoyment of their possessions. A company's focus is thus on their needs, as well as shareholder needs: the community in which it operates is a secondary factor. Entities will pay taxes and be transparent if they have achieved their profit bottom line and if the shareholders are satisfied with dividends, resulting in "enjoyment" for them (UK Human Rights Act, 1998).

A study done in Egypt showed that the higher the likelihood of tax avoidance, the higher the level of CSR disclosure of a company (Abdelfattah & Aboud, 2020. This alludes to the idea that firms that have engaged in tax avoidance will likely increase CSR disclosure to alleviate potential public concerns and to appease the community (Abdelfattah & Aboud, 2020).

2.4 Overview of Tax Transparency Initiatives

Countries worldwide are reacting to the continuing progression of tax transparency reporting (KPMG, 2016). Since 2010 several initiatives have been implemented and proposed by many bodies all over the world. In SA, the reporting of tax numbers is required in terms of International Financial Reporting Standards (IFRS) and until recently the only other initiative is the CbCR (Country by Country Reporting) required by SARS. Intentionally the focus on tax transparency reporting has heightened as a result of trade and the spread of the digital economy (Stiglingh et al., 2017) Since 2010, several initiatives that can be voluntarily adopted by companies in any country have been proposed and implemented by organisations around the globe. At first, the initiatives focused on the extractive industries and the financial industries. Soon afterwards more country-specific initiatives were implemented, such as disclosure on base erosion and profit shifting (BEPS) implemented by the Organisation for Economic Co-operation and Development (OECD) and European Union (EU) directives on accounting and transparency, CbCR initiatives and the automatic exchange of information. BEPS refers to instances where the interaction of different tax rules leads to double non-taxation, to no taxation or to low taxation, by shifting profits away from the jurisdictions where the activities creating those profits occur (OECD, 2015). These initiatives are briefly discussed below.

2.4.1 Extractive Industry Transparency Initiatives (EITI)

Requirements for the extractive and logging industries are documented in the EITI Standard (EITI, 2016). These requirements apply to listed and unlisted companies active in the oil, gas, mining or logging sectors and that need to report specific obligations. Companies must report to governments, all payments categorised by county and all tax payments per project if specifically due to a project (EITI, 2016).

The EITI is a voluntary initiative founded in 2003 in which countries around the world commit to publishing reports on how governments manage the oil, gas and mining sector. The principle behind EITI stems from the belief that a country's natural resources belong to its citizens. The EITI report requires companies to publish how much tax they pay, as well as royalties, and for the government to publish how much was actually received (EITI, 2016).

The EITI is perceived as the solution to weaknesses in governance, specifically in resource-rich developing countries (Eigen, 2006). Advocates for EITI believe that if firms disclose payments to government, citizens will be able to hold government accountable (Eigen, 2006). From the above, it appears as though tax transparency will be fulfilled through disclosures of payments and corporate governance with the implementation of EITI and through the management of EITI.

On the 19th of March 2014, USA became the first G8 country to be accepted as an EITI candidate; subsequently, Germany and the UK have been accepted as candidates. Currently, there are 51 countries implementing EITI, 17 supporting countries and dozens more supporting companies in the oil, gas and mining industry as well as various natural resource civil societies (EITI, 2016).

In 2016 a revised standard was launched that aimed to improve the EITI's quality assurance mechanisms to determine to what extent implementing countries are adhering to EITI compliance requirements. The standard requires that countries that bid, operate or invest in extractive projects must also declare their beneficial owners (EITI, 2013). As of the first of January 2021, all EITI implementing countries are required to publish new and amended contracts for extractive projects (EITI progress report, 2021).

Hence, the aim of the initiative is to improve the transparency of payments made to governments all over the world. This also allows citizens of resource-rich countries to hold the companies responsible by ensuring that they contribute to taxes so that the funds can be used for CSR by governments for the benefit of society (EITI Act, 2013).

2.4.2 Dodd-Frank Act

Consistent with the EITI, the USA launched its own initiative regarding tax transparency disclosure as part of the Dodd-Frank Act which focuses on financial regulatory reform and consumer protection (USA Dodd-Frank Act, 2011). The full name of the Act is the Dodd-Frank Wall Street Reform and Consumer Protection

Act, but it is often referred to as the Dodd-Frank (CNBC, 2012). The Dodd-Frank Act was founded by the Consumer Financial Protection Bureau, whose aim is the protection of consumers from unfair and abusive financial products and services (Consumer Financial Protection Bureau, 2010). The Act came into force after the financial crisis in the USA in 2008 to prevent similar crises in future, and it places extensive regulations on the financial industry (Consumer Financial Protection Bureau, 2010).

The Act requires that capital banks increase the amount of reserves so that they can deal with future losses that may arise. Similarly, the Act calls for a substantial portion of assets to be in a form that can be easily liquidated if cash is required (therefore less long-term loans)) (USA Dodd-Frank Act, 2011).

More requirements are in place for the nation's biggest banks with an asset value of $50 billion or more. The big banks are required to submit to annual stress tests that determine whether they would survive a hypothetical severe financial crisis like the one in 2008. Large banks are also required to seek approval before increasing dividends or authorising an issue of new share repurchases (share buy-back) (USA Dodd-Frank Act, 2011).

Even among the big banks there are larger banks that are referred to as the '"global systemically important banks" (G-SIBs), which should hold even more capital, referred to as G-SIB surcharge. These banks are also required to submit yearly resolution plans detailing how, in the event of bankruptcy, they would resolve a crisis without harming the financial markets in which they operate, (USA Dodd-Frank Act, 2011).

2.4.3 Base Erosion and Profit Shifting (BEPS)

BEPS actions relate to CbCR, disclosures relating to tax strategies (including tax planning) and transfer pricing policies that apply at a company level (Stiglingh et al., 2017). The aim of the OECD was to achieve sustained economic growth, employment and to improve the standard of living of citizens in the countries that are members of the OECD (OECD, 2004). The OECD (Organisation for Economic Co-Operation and Development) principles were initially issued in 1999 and have become the international benchmark for corporate governance around the world (OECD, 2004). In 2004 new principles for OECD governments were agreed upon (OECD, 2004). The new principles in OECD (2004) were to ensure that six key areas of corporate governance were addressed:

1. ensuring the basis for effective corporate governance framework;
2. the rights of shareholders;
3. the equitable treatment of shareholders;
4. the role of stakeholders in corporate governance;
5. disclosure and transparency; and
6. the responsibilities of the board.

There has been some strain on the international tax framework due to the integration of national economies and markets. Rules that were in place revealed weaknesses that gave rise to the BEPS tax planning strategy that resulted in policymakers ensuring that profits are taxed specifically where the economic activity takes place. During September 2013, G20 leaders endorsed the Action Plan on BEPS. The action plan was agreed on by the G20 countries (OECD, 2015). According to Trends in Tax Transparency (Deloitte, 2016), there are other tax transparency initiatives that came about because of the OECD BEPS project. Specifically relevant to tax transparency reporting is Action Point 12. This requires taxpayers to disclose their aggressive tax planning arrangements and Action Point 13 that re-examined transfer pricing documentation. In 2015 the OECD finalised Action Point 13 of the BEPS plan that now requires disclosure of tax profits and other financial information to be provided to tax authorities (OECD, 2015).

2.4.4 EU Directives on Accounting and Transparency

Shortly after the introduction of the proposed Dodd-Frank Act in the USA amendments to the EU Accounting and Transparency Directive were also proposed. Another EU initiative, the EU Capital Requirement Directive published in the Official Journal of the EU in June 2013 proposes tax reporting for companies in the financial sector.

The Capital Requirements Directive IV introduced new rules regarding corporate governance, and these rules have been enhanced to ensure better risk management. The directive also introduced additional information relating to transparency and disclosure requirements for individuals who earn more than €one million per year (CFA Institute, 2013).

The rules present in the Accounting Directive are aimed at targeting certain EU entities active in the extractive and logging industry. The rules require payments to governments to be reported on a CbC basis. The new accounting directive reduces the current burden on small companies by simplifying the preparation of financial statements and the information required to be in the notes. As part of the process of replacing the old Accounting Directives, the commission examined and opted to reject the option to adopt the IFRS for small and medium-sized enterprises at EU level and opted to reject this because it did not appear to reduce the administrative burden on small companies (EU Directive IV, 2013).

The Transparency Directive extends the provisions of the Accounting Directive to all companies in the extractive and logging industries listed on the recognised stock exchanges in the EU, irrespective of their country of incorporation or registration. First, the revised transparency directive closes a pre-existing gap in the notification requirements by requiring the disclosure of large holdings of all financial instruments that could be used to acquire economic interest in listed companies. Second, the requirement to publish quarterly financial information was removed to reduce the burden of administrative costs and encourage long-term investment (EU Directive IV, 2013).

The European Parliament has approved both the new Accounting and Transparency directives. The purpose of these directives was intended to reduce the administrative burden facing small companies, to increase the transparency of payments to governments by the extractive industry and loggers of primary forest and to create a mandatory requirement for Country-by-country reporting (CbCR) (EU Directive IV, 2013).

2.4.5 Country-by-Country Reporting (CbCR)

CbC reporting is different from regular financial reporting, mainly because countries are now required to publish information for every country in which they operate (EU Directive IV, 2013). The objective of the proposed country by country reporting requirement in Accounting and Transparency Directives is to level the playing field across companies and improve the transparency of payments made to governments all over the world by the extractive and logging industries (EU Directive IV, 2013). The EU disclosure requirements are like the US Dodd-Frank Act requirements but differ with regards to two areas firstly the industries and applicability of listed and unlisted companies (EU Directive IV, 2013). Country-by-country (CbC) applies to multinational significant global entities, and it is intended to reduce tax avoidance by ensuring that information is exchanged between countries regarding international revenues, profits and taxes paid by jurisdiction (European Commission, 2016). The USA Treasury Department has also adopted CbCR and released new rules that also require multinationals to report profits and taxes paid on a CbC basis (PWC, 2016).

Australia is currently one of 65 countries to sign a multilateral agreement facilitating the exchange of CbC reports (PWC, 2017). Regarding CbCR, the Australian Taxation Office has issued more guidance that takes effect for companies with financial years commencing on or after the first of January 2016. The statements contained in these reports should have information regarding an entity's international operations, as well as taxes paid to the Australian Taxation Office by jurisdiction (ATO, 2017). On the 23rd of December 2016, South Africa issued regulations implementing CbCR standards for multinational enterprises (MNEs). The first CbCR must be filed by 31st December 2017 (PWC, 2017). If the MNE is a tax resident in SA and has a consolidated revenue of more than R10 billion, the ultimate parent entity of the MNE group, it is obliged to file the annual CbC report with SARS in SA. In all other cases, the SA tax resident is only required to notify SARS about the identity of the reporting entity and the country in which the reporting entity is a resident (PWC, 2016). Taxpayers are required to disclose the following information in their financial statements (PWC, 2016):

- Revenue amount
- Profit(/loss) before tax
- Income taxes paid
- Accumulated earnings

- Number of employees
- Tangible assets excluding cash and cash equivalents.

2.4.6 Other Initiatives

The automatic exchange of information is aimed at reducing tax evasion and promoting voluntary compliance (OECD, 2017). Tax authorities exchange information to ensure that entities pay the correct amount of tax. The report of entity tax information in Australia contains information taken from tax returns regarding public and foreign corporate tax results. The rules apply regardless of the size of the Australian operations. However, taxpayers can apply in writing to the ATO for an exemption. The ATO requires the information to ensure that companies with large profits pay equally high taxes because they are reaping profits from the community in which they operate. (PWC, 2017).

The UK government made an announcement regarding new legislation requiring large corporates to make public disclosures of their tax strategy, specifically regarding their business in the UK (UK, 2016). The Financial Reporting Council also announced that there would be a thematic review of tax disclosures made by selected companies, with a specific focus on reconciling the statutory tax rate to the effective tax rate, as well as disclosures around uncertain tax positions (Financial Reporting Council, 2016).

The OECD guidelines on Corporate Governance of State-Owned Enterprises (SOE) is there to ensure that SOE's are as transparent as private companies are and are accountable to the public (Heo, 2018). The guidelines emphasize the availability of financial and non-financial information (Heo, 2018).

The Global Forum on Transparency and exchange of information for tax purpose's objective is to ensure that the potential for tax transparency and exchange of information for Africa by Africans can improve the tax transparency to better tackle tax evasion (Jones, 2021). Tax transparency in Africa showed significant improvement in the following areas being raising political awareness and commitment in Africa and developing capacities in African countries with regards to tax transparency and the exchange of information (Jones, 2021).

The tax transparency reporting initiatives referred to above focus either on CbCR or an additional requirement for companies in specific industries. Furthermore these tax reporting requirements refer mainly to taxes on profits and to other taxes which include royalties and licenses, borne by the company.

3 Methodology

This study employed a desk review to investigate the role of tax transparency reporting in corporate governance and CSR. A desk review, as defined by Travis (2016), is secondary research that summarizes and collates previously collected data.

Because there may be a huge amount of information available for a given topic, this strategy entails gathering valuable information in a systematic manner (Aaron, 2008). As a result, we chose key phrases from the project scope and theoretical framework for this study, searched for various relevant sources, and chose necessary details that ideally equipped the paper's scope (Juneja, 2018). Tax transparency, voluntary disclosure and corporate governance, and CSR were some of the key terms used in the search. Peer-reviewed studies published during the past thirty years, media stories, reports on CG and CSR discussing tax transparency were among the literature sources we used.

4 Discussion and Conclusion

The study investigated whether corporate governance and CSR are motivating companies to disclose their tax affairs voluntarily in their annual financial reports. By exploring the four theories being legitimacy theory, agency theory, stakeholder theory as well as the institutional theory it is evident that voluntary tax transparency will only occur if there is buy in by society at large as well as stakeholders and if it is ultimately beneficial to shareholders.

King IV indicates that those in charge of governance have a responsibility to ensure that transparent tax policies are implemented. As a result, the publics belief is that good governance equates to more voluntary disclosure of information. Companies with good CSR disclosures are expected to be less tax aggressive. However, the act of paying taxes outweighs other additional tax disclosures in contributing towards CSR efforts. It is evident from the various initiatives explored in this study that tax transparency disclosures are a worldwide movement. The purpose of all these initiatives is to make tax information public as well as to ensure that companies pay their fair share of taxes. EITI's aim is to improve the transparency of payments made to government all over the world. One thing that is clear from the Dodd-Frank Act is that it has transformed the landscape in which the banking and financial services industry operates and enhanced transparency regarding cash and other assets for the greater good of society.

A content analysis for tax disclosures in financial statements, corporate governance and CSR reporting was not performed but limited to a review of the literature. Future research could incorporate an analysis of corporate governance and corporate social reporting disclosures in terms of King IV from financial statements to perform a more detailed statistical analysis. Furthermore, specific disclosure about tax affairs that will satisfy the needs of stakeholders concerning corporate governance and corporate social reporting can be identified. This suggestion follows from the EU Capital Directive (CRD IV) that states that increased tax transparency regarding profits made, taxes paid, and subsidies received is essential for regaining the trust of the financial sector in the EU (2014).

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