Tax Transparency Benchmarking Survey

Insights into how the Swiss tax transparency landscape is expected to develop

In line with international developments, our survey shows that while many companies are still taking a "wait and see" stance, a relatively small number of topic leaders is shaping the evolving best practice on tax transparency reports. The GRI 207: Tax standard is the preferred guideline and external assurance reports are highly valued.

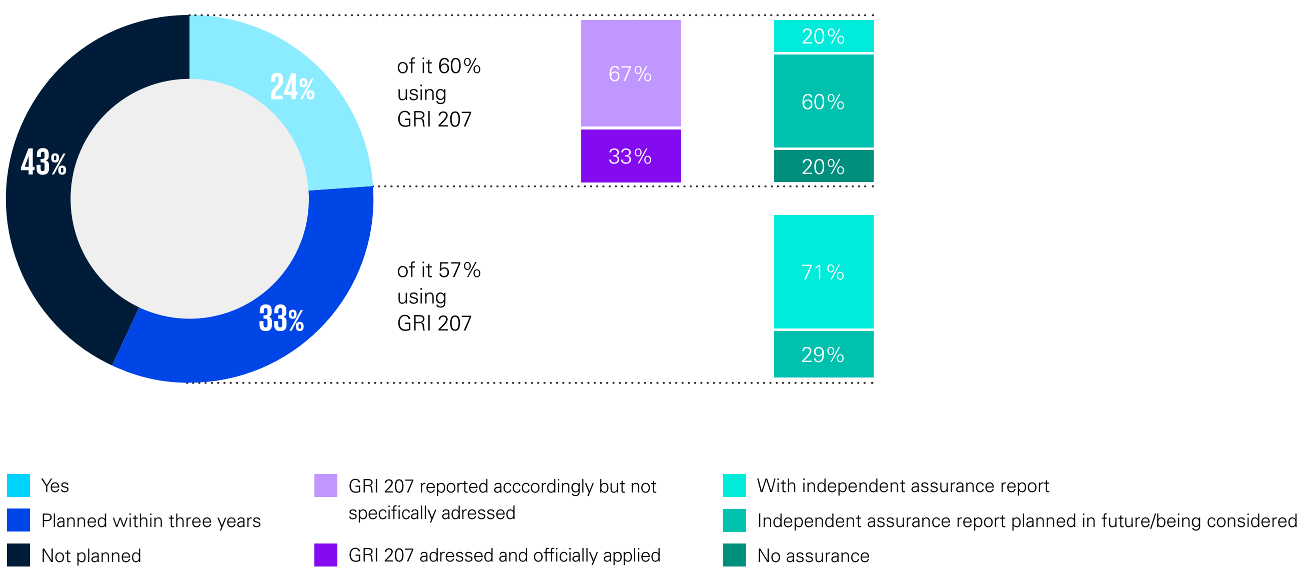
As investors and other stakeholders increasingly focus on tax transparency, we launched our Tax Transparency Benchmarking Survey in summer 2022. The survey follows the publication of Clarity on Swiss Taxes earlier this year and focuses on nine key questions to gain insights into how the tax transparency reporting landscape will develop in Switzerland and what companies are currently planning to do.

Before the survey, we had two main hypotheses:

i) The topic might be on the radar of many, but only very few Swiss companies currently publish extensive tax transparency data and most take the stance "wait and see"

ii) Those groups who have considered the topic in more detail and have defined a strong ESG agenda anticipate significant development in this area and are preparing accordingly

Publishing a tax transparency report



Source: KPMG 2022

On the radar of many – but companies prefer to wait and see

Our first hypothesis was clearly confirmed by the moderate response rate of approx. 15% (21 out of the 150 biggest Swiss listed groups). In our view this confirms that the topic might well be on the radar of many, but few groups currently want to take a clear position on it.

Further, of the companies who responded, 24% currently publish a tax transparency report and 33% are considering doing so, while 43% do not expect to do so in the near future. The main reason mentioned by those not expecting to publish a tax transparency report in the near future is that costs and benefits are out of proportion at present. A small group consider it unnecessary altogether.

Topic leaders have clear and consistent views and expect further developments

Given the significant group of companies not yet actively pursuing the topic, developing a state-of-the-art tax transparency reporting practice in Switzerland is left to a small group of topic leaders. While they clearly acknowledge a number of obstacles, they also consider that the pressure of the most important stakeholders – particularly on the investor side – can clearly influence the value of the groups.

Biggest obstacles

Cost / resources for data collection
The reliability and accuracy of the data
Concerns that the data without a narrative is meaningless or could even cause negative publicity
Fear of misinterpretation
Concerns about raising complex questions which require further explanations and resources

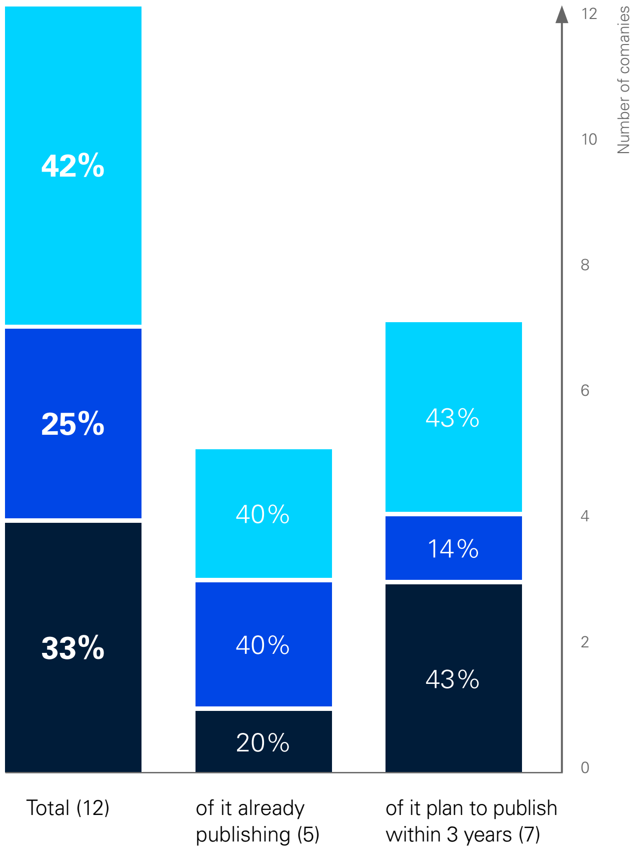
Most important stakeholders

Internally	Externally
Accounting department	Investors
	Rating agencies
	Credit agencies Finance
	Finance community

As we highlighted in our article in Clarity on Swiss Taxes, companies currently mainly apply GRI 207: Tax as a basis for their transparency reports. This emphasizes the importance of the standard published in 2019 and effective since 1 January 2021.

Particularly striking is the value companies place on obtaining an independent assurance, with a clear majority of those companies currently publishing or intending to publish a tax transparency report already obtaining or intending to obtain an independent assurance report. This is a trend we are observing internationally in discussions and our study shows that the Swiss participants fully agree on the importance of such assurance.

Level of the reports



Level 3: Reports that in addition to the requirements of level 1 and level 2 provide at least some level of country-by-country reporting within the report

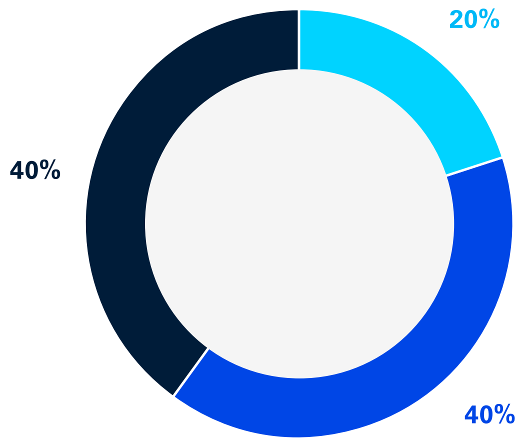
Level 2: Reports that in addition to the tax approach also address the topics of tax governance, control, and risk management and explain how the company engages and manages stakeholder concerns related to the tax

Level 1: Reports that describe only the company's general approach to tax

Source: KPMG 2022

A further interesting alignment to international developments is the level of the reports. To avoid negative impacts of publishing a potentially misunderstood report, companies either (plan to) disclose nothing at all/only some high-level descriptions (Level 1) or strive to be fully transparent with significant disclosure (Level 3). However, due to the resources and investment required for the complete data collection and the initial writing of the narrative clauses, most companies initially publish a report at a high level but still ticking as many stakeholder boxes as possible with the intention of continuously increasing the level and/or the quality over the next years.

How is the tax transparency report published?



Tax transparency report is part of annual report

Separate tax report

Tax transparency report is included in the sustainability report/part of the sustainability report

Source: KPMG 2022

What is also clear is that depending on the overall ESG communication strategy (e.g. detailed reporting as part of annual reports or sustainability reports) as well as the underlying objectives of publishing a tax transparency report, companies may prefer to publish tax transparency reports as stand-alone documents or incorporate them into existing documents and processes.

In summary, our second hypothesis also seems to be confirmed by the survey, particularly as companies currently already issuing reports are clearly trending to provide even more details in the future and/or gain independent assurance for their reports.

Time for reflection and action

As the international developments continue to move toward full transparency, as illustrated not least by the ongoing implementation of the EU Public CbCR Directive (refer to our blog article), our survey clearly shows that:

- Awareness around the topic in Switzerland still needs to increase, with many companies taking a "wait and see" stance
- A relatively small number of topic leaders is strongly influencing the developing best practice on tax transparency reports
- GRI 207: Tax is the preferred guideline applied – mirrors the fact that GRI standards are the leading standards for sustainability reports in Switzerland
- External assurance reports are highly valued
- Obstacles like the data collection and the intended messages for readers without tax expertise should not be underestimated and must be carefully planned

Even though tax transparency is not necessarily on every investor's agenda (yet), all companies should be considering their strategy with respect to publishing tax transparency data/reports. This should be linked to the overall ESG objectives and reflect international developments.

Our services

Please find further information on:

→ Clarity on Swiss Taxes
→ Tax Transparency

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