



Global Responsible Tax: Past, present, future

Perspectives after 10 years from program participants



KPMG International

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Foreword



David Linke

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This year, the Responsible Tax Program marks its 10-year anniversary. Against the backdrop of austerity measures, it started in the UK as an attempt to overcome the polarization and heat in the tax debate and to get stakeholders from different perspectives to sit down together and listen to each other. To say the least, this has always been, and always will be, a complex arena for debate and discussion.

The program looked to create a space where all key stakeholders, companies, advisors, decision-makers, campaigners, academics and thinkers, investors and the media could meet, talk and understand the complexities of the issues and the assumptions of their counterparts. Sometimes, we could find agreement and better solutions; sometimes it was just a question of better understanding where the differences are. But most importantly, it's become a space to share ideas and learn.

After a two-year testing program in the UK, the program went global and has since welcomed participants and their views from every region. Building from topics such as whether tax is solely a legal issue or also an ethical one, the distinction between evasion and avoidance, transparency, and tax competition between countries, the program has developed and expanded into many additional areas. We've explored the whole question of the digital economy and whether international tax rules are fit for purpose in the modern world. More recently, we've considered where tax interacts with key social issues of today such as carbon and green taxes, tax and work, the ethics of Artificial Intelligence (AI) and tax, global tax governance, consumption taxes, and the role of tax in limiting inequality. These all have different global perspectives and nuances, making the conversations as rich as they are complex.

It's been a huge pleasure for me to lead the program over the last two years with my colleagues Grant Wardell-Johnson, Chris Morgan, and the team at Jericho. My deep gratitude goes to Jane McCormick for her work in pioneering the program alongside Robert Phillips who we sadly lost. I would also like to use this moment to remember Loughlin Hickey who laid the foundations for so much of what KPMG International thinks and does around tax today.

The issues around global tax are never going to stop being urgent, complex and nuanced. The space we have created together is, we hope, a valued one among the 2000+ participants in our global community. The interviews contained in this publication speak to the range, depth and richness of the conversations and debates we are able to hold.

The next 10 years are likely to be very different from the first 10, but equally challenging, enlightening and rewarding. The journey continues.

Table of contents

04 Introduction

05 Interviews

 Jane McCormick	05	 Richard Murphy	17
 Ewan Livingston-Docwra	08	 Joseph Stead	20
 John Connors	11	 Mary Baine	23
 Femke Groothuis	14	 Benita Matthew	26

29 About the Global Responsible Tax Program

Introduction

Jean-Baptiste Colbert, finance minister to Louis XIV, once remarked that “tax is like plucking a goose — getting the largest number of feathers with the least amount of hissing.” But tax is about so much more than efficient methods of extraction. Few find joy in discussion of tax, but everyone should have an informed view. We all use its proceeds and benefit from it. Most of us pay it. Too often, however, it’s perceived as arcane, niche — something to be left to the experts whose efforts leave the rest of us to moan about the results.

A decade ago, KPMG’s Responsible Tax Program set out to create a broad, mature and informed discussion about the future of tax; how to arrive at a better understanding of different stakeholders’ views and of the purpose of different taxes so as to create greater agreement about what was fair and just, as well as efficient.

This is a collection of interviews with some of the key stakeholders who have been part of the journey over the last 10 years. It’s been a rich and varied program producing stimulating and fruitful results of which KPMG International and Jericho are proud.

We have deliberately chosen a diverse mix of views from the corporate perspective, to policymakers, campaigners, academics and those working at the cutting edge of emerging issues around climate and AI. Tax is in every aspect of our lives from the personal to the societal, global macroeconomic right down to the individual household in rural Africa.

One of the main roles of the program has been as a convener for these important conversations and as such, we have used the words of our interviewees exactly to describe what they have seen change in the last 10 years: the challenges and the opportunities, what has worked well and what could have been done better. Also, how the next 10 years might pan out. How things could be improved.

We heard that the environment in 2014 when the program started was incredibly polarized, as Jane McCormick (who co-founded the program) recalls, like “men on mountaintops with megaphones with everybody shouting at one another.” But over time, we and others working in this area have persevered with the process of bringing people together to find a way to have the discussions we needed and still need to have. It’s far from over yet.

Over the past 10 years, the changes have been vast — as Mary Baine (Director of the African Tax Administration Forum) puts it, “like night and day.” Tax has moved from the private conversations of finance teams to the top

of the global agenda. The conversation has matured as there has been a sometimes-reluctant acceptance that we are all in this together.

Many businesses have published their responsible tax principles. This would have been almost unthinkable in the past. We have seen the digitization of taxes, public Country-by-Country Reporting in the EU, the development of BEPS 2.0 and a 15 percent global minimum corporation tax, along with a greater understanding of the role trust plays. There still isn’t full agreement, and there may never be, but important steps have been taken.

Looking to the future, there is much still to be done: how do you pay for the big public policy updates we need and how can tax play a better role around health, the climate, and work; how can we improve the understanding and education around tax; what next for global governance; how to continue building trust, what does an ethical frameworks around using AI in tax look like, and how to ensure we build tax capacity across the globe.

Tax is too important to be reduced to the “boring, difficult to manage, leave it to the experts box.” It’s a vital, public and evolving conversation of which we should all be aware and to which we should have the courage to contribute.



Matthew Gwyther

**Editor and Interviewer
for Global Responsible
Tax: Past, present, future**
Jericho Chambers

Matthew Gwyther is a Partner at Jericho Chambers. He edited Management Today for 17 years and during that time won the coveted BSME Business Magazine Editor of the year on a record five occasions. During a fifteen-year career as a freelancer, he wrote for the Sunday Times magazine, The Independent, The Telegraph, The Observer, GQ and was a contributing editor to Business magazine. He was PPA Business Feature Writer of the Year in 2001.



Jane McCormick

Former Global Head of Tax & Legal Services,
KPMG International

With over 25 years of experience, retired Partner and former Head of Tax and Legal services, Jane McCormick is well known and sought after all over the world for her significant insights and guidance on the rapidly evolving tax environment. Prior to her role as Global Head of Tax, Jane served as Head of Tax and Pensions for KPMG in the UK and KPMG's Head of Tax for Europe, Middle East and Africa region. She also frequently meets and consults with tax authorities across the globe on significant tax issues and regulations. She is a regular conference host, presenter and moderator, and has been featured in the Financial Times and other media around the world.

How did you come into the world of tax, and can you take us back to the beginnings of the Responsible Tax Program?

I trained as a tax inspector, so I was a sort of “gamekeeper turned poacher” (though I never saw it like that). I was there for a very short time. I found HMRC (His Majesty's Revenue and Customs) to be very demoralizing. A lot of the time I was dealing with people who were getting caught up in tax enforcement. They were being treated like criminals when in fact they weren't anything of the sort — they were just incompetent businesspeople. Career prospects were very random so there was no clear path to doing anything. I wanted to move into tax policy but there was no way that I could direct my career to do that.

I went to KPMG in the UK in 1990 and worked in some quite controversial areas of tax around the financial services sector. I accidentally landed at a desk vacated by someone who had worked in the banking industry and the “Big Bang” had just happened. I was incredibly lucky because I worked on most of the big bank mergers and acquisitions that happened at that time. Then I basically became the helpline for derivatives traders attempting to comprehend the tax consequences of derivatives in the days when nobody even knew precisely what these were. Later I was involved in the clear up of a number of the bank failures that happened during the 2008 global financial crisis.

KPMG was part of the risk framework of its banking clients. Our work was highly important. Frankly, the trouble with the Big Four is that they are perceived as one big brand representing the whole of the tax market. We were not and are not. At one-point, HMRC unquestionably knew KPMG was different but they didn't spend enough time getting to know us or understand how we operated, so we all got tarred with the same brush. That was the problem and the origins of the Responsible Tax Program. I knew that we were different, engaged with important issues and willing to explore solutions to global tax policy. But I also knew that we needed to lead the profession as a whole if change was to happen.

What happened in 2014 for this to sort of coalesce together into the Responsible Tax Program?

After the crash in 2008, tax became controversial. Throughout 2013 I was going into the office every week reading the back pages of Private Eye. There were incoming missiles pretty much every day. I was getting death threats in the post. It was ridiculous and also unfair. There was no sensible way in which you could have a proper conversation about this. The way I described it at the time was “men on mountaintops with megaphones,” with everybody shouting at one another. I just sat there thinking, this is crazy. Tax is part of what makes society work. Yet we're not having a rational conversation about this. Creating a dialogue between people with highly contrasting views was critical.

**Jane McCormick**

This was driving all sorts of bad outcomes. It was bad in that tax policy was and often is being formed poorly. It's bad because there's this growing assumption that all business is bad because of all of this terrible behavior that's going on. The Non-governmental Organizations (NGOs), particularly in the global south, especially in Africa, are talking about multinationals ripping off Africa on tax. And what that was doing was making Africa un-investable in many ways.

I was at a conference when I met Robert Phillips, co-founder of Jericho. He had written his book *"Trust me, PR is Dead,"* and was talking about a different way of engagement. I thought, you know what, I think that's what we need, I think that's how it could work. And that's when we put it together, firstly as a UK thing, and then global. At first, everybody thought we were crazy because we were inviting our enemies into the room to have a conversation and giving them free rein to hurl insults at us if they felt so inclined.

What were those first conversations like? How did you feel around the table?

It was very tough. In that situation, you feel defensive and it's very easy to go into attack mode or become aggressively defensive. I think what was good about it was we did a lot of work first. So, before we went out, we took a long hard look internally at KPMG. We thought about what we really, truly believe. We wanted to be really comfortable with everything we said and we didn't want to spin anything.

I think everybody realized, although we didn't know it at the time because nobody coined the phrase, that what we were doing was the "S" bit of Environmental, Social and Governance (ESG). I'm proud of that.

We were really thinking about the role of tax advisors in society and how to make sure that the decisions we make are for the good of society. And that's really important.

When did you realize that you were right in your hunch that beginning this type of engagement was a good thing to do?

There were a number of occasions. I think the biggest was when one client said, "This whole responsible tax thing, it sort of describes the kind of firm that I want to deal with." We were showing ourselves to be ethical and professional.

Also, I hate the phrase *thought leadership* but we were leading thought on how things should develop both from an ethical and moral perspective and from a policy perspective as well.

Another occasion was when the European Union (EU) was funding a piece of research on financial fraud and quite a lot of the tax activist and NGO crowd, as well as some other people, such as university professors from around the EU, were involved. They were looking for people to be on the advisory board of that panel, and I got the call. And I thought "That's really interesting. I don't think they would have asked another of the big four to do that." They trusted me enough to be in there.

In the end, the whole thing is predicated on trust, isn't it? Whether it be the relationship of trust between society and its governments, or the trust between business and government. Without trust it can't work, can it?

Well, I'll never forget, I can remember exactly where we were, one of the round tables we held, and we had on the one side, the heads of tax from large multinationals, and on the other side, the NGOs. And the conversation was getting a little bit heated. And the NGOs said to the big corporates, "You see, you've got all of the power." And the corporates all fell about laughing and said, "No we haven't, you've got all the power because we're not allowed to say anything in public. You can say anything you like; you've got the power." And there were some of those real moments of people starting to see things from another perspective. It was in those conversations I think more trust did start to be built.

However, things went much more slowly than I thought they should, particularly around the subject of tax transparency. Because I was always a great advocate, I used to say that if you publish everything about your tax position, nobody's going to make a scandalous story out of it. If you don't publish the information, there will be an assumption that you're hiding something. I found it very frustrating that people (businesses) were slow off the mark with that generally.

Of course, there have to be limits to what is disclosed so that you're not forced into disclosing commercially sensitive information. But you can disclose an awful lot without having to go that far. You can really tell the story. It's about the narrative that goes around it.

Jane McCormick

What do you think are the biggest issues around tax that we are facing and will continue to face?

One is policy and how do you pay? And the biggest single issue that we've got to get to grips within the UK is health and social care. I now chair the board of a hospital so see it from that angle. Until we solve the problem of how we pay for that, it's hard to see how we pay for everything else in government.

One area I think we will see explored more is Value-added Tax (VAT). It is the easiest tax in the world. People worry about the fact that VAT is regressive but actually, if you read the academic literature, VAT is more progressive than most people think. If you had real-time digital management of it, you could assess people's income and say to everybody under a particular income limit, you're exempt from VAT. There are ways you could do it.

I think if we embrace technology, we could come up with much easier, more efficient ways of collecting tax. And actually, people will pay more tax if it's easier to pay.

In the Global South, one area I'd like to see explored is the relative impact of tax and aid and its impact on the economic resilience of those nations. With all aspects of the tax debate, unless you get into the nuance and the difficulty, it's very hard to find the solution. What you end up with is a lot of people who can write a slogan but there are very few people who can actually lean into the thing and say well how do we get from where we are to where we need to be?

I'm really pleased that David Linke has continued to carry this torch of Responsible Tax forward.

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Ewan Livingston-Docwra

Head of Campaigns, The B Team

Ewan Livingston-Docwra is Head of Campaigns at The B Team. Ewan coordinates across the organization's breadth of campaigning work, on issues ranging from climate and nature to corporate governance. Previously he led the organization's work on responsible tax within its Governance & Transparency initiative. Ewan was Head of Corporate Partnerships at ActionAid — a human rights NGO — and has held a number of advocacy and partnership roles across the private, public and third sectors. He started his career in the UK Parliament, working for the Shadow Secretaries of State for International Development and Culture, Media and Sport. He holds an MA in Geography from the University of Cambridge and an MA in Development Studies from the University of London.

How did you come to be involved with the Responsible Tax Program?

I was in the UK parliament as a researcher and then went into political consultancy. I was there for about five years but decided that I wanted to use my educational background in development. So, I went off to work for ActionAid, which is a human rights NGO, specifically on the corporate engagement side of things, which involved a bit of partnership work, a bit of advocacy and so on.

One of the issues that ActionAid focused on was corporate tax because they identified it as being critical to development finance, which it absolutely is, and so as somebody who was working on tax and working on corporate engagement, I naturally came across the work of both KPMG and The B Team and when an opportunity came up to work with The B Team I took it on.

Over the last 10 years what changes have you seen?

Companies now undoubtedly have a lower risk appetite around tax avoidance than they used to. I think partly that is a result of the public profile of the issue and pressure from civil society, investors and others.

But I think it's also indicative of the fact that governments around the world have clamped down on the most obvious loopholes that facilitated the most egregious practices that some companies engaged in.

Investors have also begun to identify tax as a material risk and are putting pressure on companies to account for their tax practices.

Going back to the beginning of the Responsible Tax Program, and indeed the formation of The B Team's Responsible Tax Principles, what were the main challenges?

It was a very polarized situation. You had activists and civil society groups on one side that were beginning to identify this as an issue and rightly so. But some of them were quite combative and they adopted a sort of activist campaigning stance.

On the other side, you had corporates who hadn't really recognized tax as being an issue linked to sustainability. They hadn't recognized it as an issue that they needed to talk about publicly or to be transparent about. It was seen as a backroom function — very much a private internal issue.



Ewan Livingston-Docwra

And so, there was a clash. I think that was probably heightened by the fact that because tax is so complex, a lot of the people who were having to deal with the queries, criticism or emerging expectations around transparency were tax professionals. They weren't public affairs, communications or sustainability professionals. This just wasn't on their radar. It wasn't part of their job description. And suddenly it was sort of thrust into the public eye.

There has been considerable change in this regard and at The B Team the corporates that we approach are the ones that have a demonstrable interest in or commitment to the agenda that we share, which is one of responsible practice and transparency. We're seeking to build bridges and provide space for convening and building mutual understanding, hopefully demonstrating that there isn't always a need for the debate to be quite so polarized.

When it comes to those who don't share in the agenda, peer pressure plays a big role. If they see their competitors doing it, quite often they feel the need to follow suit.

The B Team's Responsible Tax principles were a result of a facilitated process, but the principles were written by business. We brought businesses together and we capitalized on that group, but it's a business statement.

At The B Team, we're trying to shift norms by building a bit of a movement and communicating the positive experience that the companies that have engaged with this agenda have had.

I think that KPMG, like The B Team, have played a constructive role in trying to bridge that gap between civil society and business. It's still there, but it was a chasm before, and I don't think it is anymore. I think they have helped to build understanding and establish some areas of common ground. It was through creating those spaces for those different "tribes" (if you like) to come together. That's pretty much what we at The B Team have been trying to do as well.

What do you think the next 10 years will look like for tax?

I think that the balance of taxation is going to shift, and is already shifting, towards taxes that have some amount of positive environmental intent. Whether that's Pigouvian taxes on pollution or emissions or whatever it might be. It's something that I don't feel that companies are necessarily prepared for.

I think that there's a risk that the proliferation of these new environmental taxes across different jurisdictions is going to mirror the situation that we have with corporate tax, which is companies having to grapple with a different tax regime and set of rules in multiple different jurisdictions that don't really speak to each other.

The time to address that is now, before more and more of these taxes proliferate and become a larger proportion of the revenue base in countries around the world. It doesn't seem to be happening at the moment. We're potentially walking into a real mess. It's important that companies aren't sleepwalking into it because they're the ones that are going to have to navigate it.

How can we improve the understanding of tax among all these various stakeholders including the public?

I think there's a very strong argument for tax simplification. Not just because it would reduce the complexities that companies and others have to navigate, but also, for the purposes of accountability, people want to know where they stand and where the government is standing.

We also need to open up more of a debate around the purpose of tax. Why am I being taxed this amount and for what purpose? Why am I being taxed more or less than this other person or this other company? Justify it. And I think we get into the situation where as soon as a government has a revenue stream, they're intent on keeping it. For understandable reasons, they've spent the money. But seldom do we take a step back and actually ask a very justified question, which is, why are we taxing this thing? Is this a social good or a social ill? And we hardly ever revisit that.

For example, in the UK, we tax petrol and those revenues are beginning to dry up because people are moving to electric vehicles. I heard it mooted recently that the UK government would just say, "Well, we'll just tax electric vehicles then to make up for it, and we'll tax per mile driven" or whatever it is. And you think, well, hang on, I understand why you're taxing petrol. There are externalities associated with it.

But surely at a time when you as a government have set really quite ambitious decarbonization targets, adding a new tax to electric vehicles at a time when people are transitioning to these cleaner forms of transport seems utterly counterintuitive.

Ewan Livingston-Docwra

I think capital gains tax is an area we will see revisited in the coming years. There's a good argument in favor of equalizing it with income. If you get your money from an investment and I get my money from putting in 40 hours a week, why should you be taxed less? You know, there is an argument that says, it's all income. So, tax it at the same rate.

I think one interesting area to explore, in light of the environmental challenges that we face, is the question of tax incentives. How do they need to change in order for them to encourage the private sector to play as big a role as it can in addressing the carbon crisis, nature, and ecological decline? That discussion is not being had to nearly the extent that it could be. Tax is an incredibly powerful tool in this arena.

Not only are the incentives at the moment not strong enough, at times they're perverse. Governments are still subsidizing environmentally harmful activities to the tune of literally trillions annually. So, it's incumbent on governments, if they want the private sector to step up, to send them the right signals and to actually encourage them to do so.

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John Connors

**Tax Counsel, Vodafone Group plc.
and Chair, International Chamber of
Commerce Global Tax Commission**

With a long and distinguished background in both the public and commercial tax environment, John Connors is tax counsel and senior advisor at Vodafone and represents global business interests for the International Chamber of Commerce. John was Global Head of Tax at Vodafone for more than a decade, being responsible for all of the group's tax affairs, instigating the publication of their annual 'Total Tax and Economic Contribution' report, including the company's Organization for Economic Co-operation and Development (OECD) standard country-by-country tax report. John trained as a tax inspector with HMRC and became Director of their Large Business Customer unit after secondments to the European Commission, where, over three years, he primarily supported the work on the EU's Code of Conduct for business taxation, and spent a similar period as head of HM Treasury's international corporate tax unit.

How did you come to be involved in Tax?

I have been in tax for a long time, around 35 years in total. I started my career by training in HMRC and then moving through pretty much every aspect of the compliance processes to more technical and policy roles, working in the international division of HMRC.

During that time, I was fortunate enough to be selected to work at the European Commission as a seconded national expert for three years, very much focused on the development of the EU code of conduct for business taxation. That was very much a first international step into tax governance and control. I subsequently spent three years at HM Treasury under Gordon Brown's tenure, where I was responsible for international direct business taxation. On returning to HMRC, I became responsible for the customer relationship between HMRC and large business.

Then, after some 20 years in the public sector, I moved across to Vodafone, starting as Deputy Group Tax Director with a prime focus on the company's tax strategy and policy (and very much interested in governance and control) and UK compliance and dispute resolution. In 2012 I assumed the role of Global Head of Tax for Vodafone, a job which entailed setting the tax strategy for the group, ensuring that the company meets all of its responsibilities, whether it's compliance with external tax and regulatory obligations,

providing tax advice internally concerning domestic or international commercial transactions, or ensuring that the company's reputation as a good corporate citizen is maintained and enhanced, all the while reporting to the CFO and Board of Directors and so on. I am now on a glide path to retirement and an easier path for the future, while still maintaining a strong interest in tax and corporate governance.

How has the responsible tax agenda developed and evolved during your career?

I guess that as business and industry came out of the 1980s through the 1990s, that whole period of deregulation, we saw the advent of some pretty poor behaviours across the piece and a bit of a wild west in taxation as in some other areas of regulation and compliance.

It was probably then that people started to say that there needed to be more governance, more control and more responsibility in tax. HMRC initiated a conversation about "tax in the boardroom" and then the regulators started to get interested, at which point businesses realized that they needed to self-regulate as well — they needed to engage and set the boundaries and parameters of what they were doing.



John Connors

As we moved into the 2000s, this agenda was starting to be talked about, but without the coherence or sophistication, or indeed the understanding, that we now have today. The debate today is more about what responsible tax really means and what that requires from businesses, but also about expectations from the tax system both in raising tax revenues and supporting investment, innovation and jobs.

Even with an organization like Vodafone, and even within its finance function, tax is still a small part of that whole commercial spectrum. So, it has sometimes been a battle to get your voice heard. But the more enlightened leaders in the business respect that and actually want tax to be part of the debate.

And how have things changed over the last 10 years?

Over the last 10 years, Vodafone has moved very much from being reactive to the public or political debates on tax and to the issues surrounding tax contributions, to a pro-active and open engagement with customers, staff, politicians and regulators, media, and the public at large. It was clear that an open, front-foot strategy was required to address any concerns. To get out there and get ahead of the story and the narrative, was the way forward in a modern and transparent society. So that led us to be the first multinational company to publish details about how we pay tax, where we pay tax, etc. It was within that context that Vodafone, and I specifically, became involved in the early stages of KPMG's Program.

Back in 2014, there were fairly regular engagements and discussions on the concept of "responsible taxation" and what particularly struck me about these conversations was that they quickly started to broaden out from just being between businesses and accounting firms to encompass a wider section of society that was interested in having an adult discussion about tax and putting different perspectives on the table.

The parameters were very clear at the outset. You were free to say what you wanted and you did not have to fear that you would be quoted in your role as head of this, or head of that. The focus was on the discussion itself and that starts to engender trust. There were, and are still, sometimes robust points of view, but always conveyed in a respectful and professional manner.

The fact that the Global Responsible Tax conversations go beyond just a group of tax experts and specialists, helps in delving a little bit further into things, it makes you stop and think a little bit about your preconceived ideas, views or straplines.

It was extremely positive and progressive to watch the Program transition from discussions around the table through to publications and think pieces and to begin to distil those views. Jericho experiments, it still

experiments, with different forms of engagement and so forth, which allows the capture and reflection of a whole variety of views.

Getting a broader group of interlocutors around those tables, including the investors, the quasi-politicians, the unions, etc., helps you feel that you're having much more impact and engagement than you would have with just a group of like-minded business folks.

Progress starts with trust and that has been a big focus of the UK agenda. What we have been trying to do through the Global Responsible Tax Program is to build the dialogue and the engagement between business and other interlocutors.

There has been a lot of progress in recent years. I don't think it was necessarily recognized or accepted at the outset that trust was fundamental. Businesses, individuals, authorities, etc. may have different perspectives but have all come to realize that trust is fundamental to the relationship, whether it's commercial awareness and commercial understanding on the part of the authorities or transparency on the part of businesses. I think it's the only way to get us to where we want to be.

There's still a long way to go in a lot of countries and a lot of institutions as well, but it is the bedrock of that social contract and that social engagement, which certainly companies like Vodafone have embraced and continue to embrace, notwithstanding that there are other pressures.

What can we do to promote greater trust, is more transparency the answer?

There needs to be a greater understanding of how taxes are paid, collected and used to enable people to recognize the value of that. Businesses, and individuals, must recognize that tax is not just a cost to the business or meeting statutory obligations, but that there is a broader engagement with society and that the taxes we pay help fund society and support social and development goals. But the structure of taxation also serves to encourage entrepreneurship, investment in technology and infrastructure, and needs to provide the best possible environment for creating jobs and wealth for all.

Do you feel that tax and its value to society is adequately explained to people?

Probably not sufficiently well, but I think the conversation is a lot better than it used to be. That is part of what we have been trying to do with the Responsible Tax Program, to elevate the nature of the conversation.

From a Vodafone perspective, it is important that, when we embrace the agenda, it is not purely altruistic or about social engagement. We have customers who care about this, we have staff and employees who care about this, and we have investors who are increasingly interested in

John Connors

the ethical side of the business. It is also a commercial decision to embrace the agenda and demonstrate what we do and how we do it, to effectively stand up and be counted, through what we say and the narrative that we develop around tax.

What would you like to see for responsible tax in the next 10 years?

There has been — certainly from a business perspective — a decade of focusing on and tackling base erosion, profit shifting and aggressive tax avoidance. That's all well and good but there also needs to be a re-focus on investment in jobs, infrastructure, technology and so on, which is vital for the tax system, because ultimately businesses will drive the investment in all societal needs.

All of us are in a very challenging global economic environment. What you see in all jurisdictions is a desire to increase public expenditure or to meet public expenditure commitments, for which taxes play a huge part. There is an expectation gap between what society is asking governments to deliver and the means to do that. Do you compromise on the goals, or raise taxes, or a bit of both, effectively? That is a big challenge.

Governments on their own will not be able to deliver on their ESG targets, so business has to be involved. In that context, the tax debate needs to be much broader and more adult. There are groups like this one and a couple of other organizations where there is sensible debate. I would like to see that level of seriousness and debate echoed at the political level and at the public level.

Certainly, from a business perspective, I would advocate for a global framework, (or as broad a framework as possible within the context of national sovereignty and local needs) within which to operate. Working in a multitude of different jurisdictions, having different systems, different rules, and different interpretations is a huge challenge.

Furthermore, I think people want to see a global approach to taxation and want to see that a "fair" share or, more accurately, an appropriate share of tax is paid in the right jurisdictions. Even with the international agenda, most taxes are local to the extent that they are a national requirement to fund expenditure and allocate domestic resources. It is inevitable that the majority of taxes are managed within national boundaries rather than on a global basis.

Another big topic for the future is not just around technical knowledge in developing countries but also about having the resources to administer and understand a complex tax environment.

There's a lot to do, but if you look back over the last 10 years there's been huge progress. We're in a very different place today than we were back then.

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Another big topic for the future is not just around technical knowledge in developing countries but also about having the resources to administer and understand a complex tax environment. There's a lot to do, but if you look back over the last 10 years there's been huge progress. We're in a very different place today than we were back then.”



Femke Groothuis

**Co-founder and president of
The Ex'tax Project**

Femke Groothuis is co-founder and president of The Ex'tax Project, a think tank focused on the role of tax in achieving inclusive circular economies. Since 2009, the foundation has explored opportunities to shift the tax burden from labor towards pollution and the use of natural resources. In collaboration with experts and business leaders, the foundation creates practical tools that enhance understanding of the dynamics of a taxshift and its impacts on business model innovation. One of their studies, 'The Taxshift', presents a roadmap for a rebalancing of the tax mix, both at national levels and in an EU context. Between 1999 and 2009, Femke was Investment Manager at Ex'tent Green Venture Capital, a pioneering impact investment fund.

How did you become involved in tax?

In 1999, I became an investment manager at a pioneering impact investment fund in the Netherlands. The owner of the fund, (the late) Eckart Wintzen, published the very first integrated environmental report, back in 1990. As an entrepreneur, he experienced that the tax mix provides a strong competitive disadvantage to social and sustainable entrepreneurs, because labor taxes are high, and resource use and pollution are basically tax free. He proposed a shift in taxation, from labor taxes to green taxes.

In 2009, I co-founded The Ex'tax Project, a think tank with a focus on the role of tax in achieving a circular and climate-neutral economy, as well as well-functioning labor markets and social security systems.

A tax shift has the potential to boost business model innovation. Circular business models are less resource-intensive but tend to be more labor and/ or knowledge-intensive than regular, linear activities. Circular activities require time and effort, to repair products, provide maintenance services and organize recycling and take-back systems, for example.

Of course, other important services in society are also labor-intensive, like health care and education. By putting a high tax burden on labor, as we do in the West especially,

there is an incentive to minimize labor input, even if that means using more resources and more energy, because they are much less taxed or even tax-free.

Over the past 15 years, we have worked with experts, including KPMG, and business leaders, to study opportunities for a gradual shift away from taxing labor towards taxing resource use and pollution, in order to shift financial incentives in the economy and to support business models that fit a sustainable and social future.

How do you go about the process of trying to explain to ordinary people in the street the sort of subtleties and complexities of these arguments?

Our catchphrase is "tax pollution, not people," as UN Secretary-General Guterres once put it. It's a principle everybody understands. Reduced labor taxes result in higher net salaries for workers and lower costs for employers. Governments would make up for these revenues by applying the "polluter pays principle." For governments the shift is budget-neutral; for polluters it's not. Taxing water use, waste, or pollution from smokestacks is perfectly possible. In fact, it can be easier than taxing each individual; labor taxes and social security systems are highly complex. With experts, we

**Femke Groothuis**

have developed tools that illustrate the sheer number of tax bases that are not yet applied. Numerous studies, including ours, demonstrate that a tax shift works well for the economy, for jobs and incomes and for a healthier environment.

How easy do you find it to persuade governments globally of the validity of your argument? Do you feel you're making progress and that there is an understanding now of the sorts of priorities that you're supporting?

There's a growing support for these principles in the corporate sector, politics and in multilateral organizations. The European Commission has been calling for Member States to shift the tax base away from labor and onto natural resources for the past 30 years. The OECD is also supporting the principles. And the Dutch Banking Association, for example, has called for the implementation of the tax shift, in order to level the playing field for investments in the circular economy.

There's no lack of support, but there is a lack of knowledge and also courage in policy-makers to implement the principles. And this is why it's so important to have the finance community on board, because they need to advise governments as well as their clients on how this works and how new policies will change the dynamics.

Tax professionals still tend to focus on corporate income tax. But corporate income tax is levied only after all processes in the supply chain are completed and all the damage has been done or the value has been added in terms of jobs or social impact. Only after that, corporate income tax takes away some of the financial results.

We think more attention needs to be given to the way profits are turned in the first place. We need to make sure that future-proof business models can be successful, profitable and scalable. If we apply the tax shift consistently, the contribution of business to society will increase. Ultimately, doing good and doing well should go hand in hand.

So, our plea is to shift the focus a bit from corporate taxes to green taxes and labor taxes, and to have these bright minds in the business community and in the expert community of fiscal experts to support the transition with their knowledge.

What has changed since you started?

We've seen massive changes in the past 15 years. When I started this project, climate change was still denied and climate science was dismissed, which is not the case anymore. The Paris Climate Agreement was signed in 2015, which was groundbreaking. We've seen the success of the emission trading system in the European Union. Also, the circular economy emerged as a concept, and it was adopted by the EU as a goal for 2050.

Of course, there's the war in Ukraine, and the energy crisis, which demonstrated the resource supply risks that economies are exposed to, and significantly increased awareness around the need for strategic autonomy.

And then there's a surge in new reporting guidelines, such as CSRD and CSDDD, a true "data tsunami," which will have a lot of impact on the way we conduct business and the information that is available on the external costs and the added value of particular businesses and business models.

What really hasn't changed much is the way governments try to solve these problems. Governments still try to avoid taxation of externalities. In the EU, 6.4 trillion euros in taxes are collected each year, and 51 percent of those tax revenues are based on labor taxes. Only 5 percent is based on green taxes (mainly on energy and mobility taxes). Just 0.2 percent of revenues come from taxation of pollution and resources. This means that we have a tax system that is still fully aligned with the linear economy while the goal is to shift to a circular economy.

Governments still think they can solve these systemic market failures with temporary subsidies, which can compensate for the huge financial incentives that are embedded in our tax system. The IMF has warned that scaling up the current policy mix — heavy on subsidies and public expenditures — to deliver net zero will increase public debt by up to 50 percentage points of GDP by 2050.

What are the barriers to the change you are hoping to see?

Key barriers are short-term in politics, and business-as-usual interests, that have prevailed in policy-making. But it is now perfectly clear that doing more with less is the basis for competitiveness going forward. Businesses are developing new sustainable products and services, but these remain a relatively small part of their product portfolio. It's hard to make the business case for such

Femke Groothuis

activities because of the financial incentives in our tax systems. The current tax mix is a barrier to scaling up the kind of business models that they want to develop more in order to achieve their own sustainability goals. This is why more and more corporates are going to get involved in this discussion. They will want tax systems to change in order to support these new business models.

Do you think better education around tax and how societies are run from a financial point of view is needed?

Of course, there's a need to educate young people on tax matters. But even tax professionals need to learn about the dynamics, what the priorities should be and what they can contribute to this field of interest. The problem is that in tax, we tend to focus on theoretical policies and dive right into the details of why something might not work or what the impacts are for a particular stakeholder, without first taking a helicopter view as to what the system is doing and how this is pushing the economy in the wrong direction.

This is what I really like about the Responsible Tax Program. It takes a broader perspective on taxation, looking at the bigger picture and the drivers behind the issues that we're facing and how tax can actually help solve these issues.

What are your thoughts about the future of responsible tax?

The future of responsible tax will be less about corporate income tax and more about green taxes and labor taxes. Just look at the trends: carbon pricing is on the rise. Climate impacts and climate risks are getting stronger. Water scarcity is on the rise. Resource supply risks are on the rise. At the same time, there's social unrest, poverty, inequality, greying populations and the need for decent jobs.

Business leaders are recognizing these risks and challenges, and they will need to adjust their products and supply chains. Tax has a key role in supporting this transition, by addressing environmental and social challenges simultaneously.

Of course, this is a long-term process. It requires "cathedral thinking," where the foundations are laid when the sheer size of the building is not yet visible. It may take generations, but we have to start construction to secure a better future for our children and generations to come.

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Richard Murphy

Professor of Accounting at Sheffield University Management School

Richard Murphy was a practicing chartered accountant for 40 years and is now a political economist. He is Professor of Accounting at Sheffield University Management School. Richard co-founded the Tax Justice Network in 2003 and was its research director until 2010 but is no longer connected with it. In 2003 Richard created the concept of country-by-country reporting for multinational companies which was adopted by the OECD in 2015. It is now a legal requirement in 90 countries around the world. In 2013 Richard created the idea of the Fair Tax Mark and was a director of the company until 2019. Richard's work on tax-related issues now focuses on helping define the tax gap (how much tax is due that is not paid) and tax spillovers, which seek to explain how these losses arise. This work is now largely for GIFT, which is backed by the IMF and World Bank. His work inspired the publication *'Making Tax Work'* which he co-authored for them with his Sheffield University colleague Professor Andrew Baker. That in turn now underpins their Principles for Tax Transparency. Throughout this period, the motivation for Richard's work has been the creation of a level playing field in tax. The aim has been to prevent tax abuse to ensure that all pay according to their means in the interest of a fairer society and to reduce poverty. Richard has written a number of books, the most notable being *The Joy of Tax*, *The Courageous State* and *Tax Havens: How Globalization Really Works*.

How did you get involved in tax and specifically with the Responsible Tax program?

I started training as an economist and accountant at Southampton University. I joined a firm called Peat Marwick Mitchell & Co, which became part of KPMG, before deciding that I was going to set up on my own as a smaller practitioner instead of going to the city.

Over the next 15 years or so, I created a firm that specialized in design, arts and media. By the time I hit about the age of 40, I felt it was time to move on and I also thought it was time to become involved in thinking about the whole process of accounting and taxation and how they related to my perception of economics.

While doing that, I met John Christensen and we went on to co-found the Tax Justice Network, which became highly successful and the lead civil society organization on tax, certainly for that period. I also co-founded other organizations like the Fair Tax Mark.

My approach, throughout the period that I was campaigning vigorously against the use of tax havens and for more transparency, was always one of engagement. I felt that there was a choice: I could sit outside the tent and criticize and never engage, or I could take the risk of talking to people in firms like KPMG and others, and I could talk to the OECD, the IMF and the World Bank, and so on. I always felt it was worthwhile engaging because by engaging we got to know and understand each other, and in turn people got to know and understand what we were trying to do.

Now, I have begun to focus more on academic work and I've spread my wings from just looking purely at tax — although I'm still heavily focused on it. My latest report is the *Taxing Wealth Report (2024)*, which looks very specifically at how reforms to the UK tax system could deliver revenue for the government but would require more to be paid by those with wealth. So, I'm still thinking in the same arenas, I just do it differently these days.

**Richard Murphy**

Which elements of the tax system, both on a national level in the UK and globally, struck you in those early days as the most unjust?

In 2003, the focus was decidedly international. It was the deep opacity of tax havens that were clearly being exploited by individuals and large corporations.

We were really interested in this idea of tax compliance — the right place, right time, right rate, reflecting the right economic substance. That was the core idea. We argued, and I would still argue, that tax havens still do undermine fair competition by giving those who can access them an unfair competitive advantage.

The aim was to challenge the hierarchy of power that allowed this to happen and the core of it was ethics. Let me be blunt, I'm a social democrat. I believe in equality. I believe in opportunity for everyone. As I saw it, privileged access to the opportunity to abuse the tax system offended my ethics and I think it offended large numbers of people as well.

At what point did you really start to feel things were changing?

Several key events indicated that we were winning. One was in April 2009. I was invited with the consent of 10 Downing Street to the G20 summit in London in April, the first international outing of Barack Obama. I was the first ever person from civil society to pose a question at such an event. I thought, "Okay, we've got some political clout going on here. The governments of the world recognize that tax havens are a problem."

From then on, we had a much-altered narrative with the OECD. I became much closer to them and got to know Pascal Saint-Amans, who was director of the Centre for Tax Policy and Administration at the OECD.

2012 was another major changing point. The pressure on the large corporates came to a head when Margaret Hodge put three companies with household names in front of her at the House of Commons.

In January 2013, David Cameron embraced that sentiment and announced he would bring it to the G8, where he served as chair. I was at the June summit in Northern Ireland and the Lough Erne Declaration that came out of that summit basically said Country-by-Country Reporting is going to happen. I thought, "OK, I've dedicated over a decade of my life to this cause and suddenly, it's on the international agenda."

What do you think about the level of understanding and engagement with tax generally?

There is an almost universal failure to understand what tax does. There's vast amounts of absolute nonsense said about the tax system.

There's also a failure to understand, even among tax professionals, the way the tax system really functions as far as the government is concerned — as a part of the whole macroeconomic cycle.

How have your attitudes, thoughts and analysis altered over the past 10 years?

Very little, I think it's fair to say. Where I started out in some ways in 2003 is where I am today. I still think that tax havens are providing too much secrecy, clearly less than they were, but they are now, for different audiences, still providing the opportunity to reduce taxation liabilities. I think that the failure to see the right amount of tax paid in the right place at the right time where economic substance is reflected is still a problem. I would love to see, for example, Country-by-Country Reporting as a worldwide accounting standard.

What does the future of tax look like to you?

Having hit 66, I'm still working and I have absolutely no intention of retiring. My interest is how do we educate people about how the world really works in tax terms, in accounting terms, in economic terms and how they all link together.

I'm always told that corporation tax is a terrible tax. People say it's a hindrance on the development of business. Well, no, it isn't. I've never met a business that was hindered by paying corporation tax because they generated the profit to pay it. But nobody seems to understand, for example, that corporation tax has to exist because if it didn't, everybody who could would incorporate a business and never pay any income tax. They would just accumulate the reserve somewhere else. It's a backstop inside the tax system. So is capital gains tax. It's there to protect the revenue source. These things are not random chance. They are an integrated whole.

Richard Murphy

I am working on a project right now with a few other organizations to create a course on tax transparency. The aim is to provide education — and I think we do desperately need more education on how tax works. Because until people genuinely understand the integrated nature of taxation into much more than revenue raising but the management of government and the whole idea of the way we deliver social economic fiscal and other policies, then I don't believe we will get good tax policy.

That was the idea at the core of my book, *The Joy of Tax*. The joy of tax is the most powerful instrument available to governments to shape the societies for which they are responsible. And when we don't understand money creation and we don't understand tax, we end up with poor choices and that's the risk we're facing.

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Joseph Stead

Senior Policy Analyst on Tax and Development in the OECD Center for Tax Policy and Administration

Joseph Stead is a Senior Policy Analyst on Tax and Development in the OECD Center for Tax Policy and Administration. He leads the OECD work on tax morale, focusing on what drives voluntary compliance in developing countries. He also works on the role of development cooperation in improving tax policy and administration in developing countries, including coordinating the OECD's tax capacity building program. Prior to joining the OECD, he worked at the NGO Christian Aid, leading aspects of their economic justice policy, including tax, trade and debt policy. He was also the co-chair of the board of the Jubilee Debt Campaign.

Previously, Joseph worked in the UK Civil Service, working on asylum and immigration law in the Home Office, and trade and development policy in the Foreign Office. He holds a Master's degree in African Politics from the School of Oriental and African Studies in London, and a politics degree from the University of Nottingham.

Can you share a bit about yourself and how you got involved with the world of tax?

I'm not a tax specialist by background. I did a master's in African Politics and then found myself in the UK civil service working on asylum and immigration law. I got a secondment to the Foreign Office for a couple of years working on trade and development issues with a focus on African economics and then essentially my journey with tax started. I joined the development organization Christian Aid in 2011, working on their economic justice work. I was working on tax alongside trade and broader economic issues. The work at Christian Aid was very much about the impact on people, especially thinking about the impacts on some of the poorest people in the world in developing economies.

The work there focused on campaigning both in terms of policy legislative changes by the government, but also looking at companies in terms of how they can be leaders in their tax affairs. It was a twin track of looking at different kinds of legal and regulatory measures, and also different kinds of voluntary measures that companies

can do. It was really interesting because at that time companies were not used to being challenged on their tax affairs. They were private and nobody else's business

So, you were involved very early on, back in 2014 when the Global Responsible Tax Program began. What was your experience of what was going on then and how have things changed?

During that time, conversations were going straight past each other, because you'd have the campaigning NGOs making some very broad points about the impact on people, and the response coming back was something very technical about transfer pricing regulations.

We've now got to a stage where, at least in the responsible tax dialogues, it's much less antagonistic, though more antagonistic in some other areas. I think there is now a willingness to work together. I think everyone has realized the different viewpoints that people were coming in with a bit better, and so it's possible to have better conversations, especially between businesses and other stakeholders.



Joseph Stead

A lot of the people working in the NGO campaigning sphere have increased their knowledge and capacity and ability to engage. They have a bit more technical knowledge, so they've upped their game. From the government, business and advisory side, I think they've got a lot better at understanding the more political, man-on-the-street perspective and realizing that they need to engage with that.

In the beginning, people weren't quite understanding what each side was saying. Credit is due to the process that KPMG and Jericho have led, along with others. I think there's been quite a few people working in this area to persevere with the process and keep bringing people together until they found a way to be able to actually have the discussion we needed and still need to have. It's far from over yet.

Ten years later, do you feel there has been progress made not only to find common ground but also to take some practical steps to increase the levels of justice and fairness globally as far as tax is concerned?

I don't think there's full agreement and there never will be. There is a valid range of views that you can have on some of these issues. But I think the distance between the different parties has lessened. There are still some very big extremes, where groups don't want to speak to each other, and probably never will. But I think that those who have been engaging through the discussions are speaking more of a common language now and have started to identify some common issues, at least in the areas where progress can be made, and have taken steps forward even if we've not yet found concrete solutions.

A good example was some work I helped with just as I was leaving Christian Aid, which kind of sat alongside the work being done with KPMG and Jericho. So Christian Aid, ActionAid and Oxfam put out a joint paper called *Getting to Good* in 2016, which had a forward from Chris Morgan at KPMG. It was really interesting that we were able to have NGOs who were campaigning on tax put it out in their name, but also that it had a tax director from Unilever and the then head of tax policy from KPMG all put their names to it in the forward and executive summaries. This was concrete progress. And I think that has been built on, especially with how responsible tax has come into the ESG discussions with investors, shareholder groups, etc.

What brought you to the OECD?

I joined the OECD because at that point there had been various changes in international tax that showed there was progress being made and there was a whole set of challenges around implementation coming down the line. I was curious to see if I could play a useful role in the OECD in helping the next stage.

There was also a chance to do more on responsible tax issues. My role is a lot more on the capacity building and implementation side of things as well as working on issues around tax morale.

How does your tax morale work fit with responsible tax?

Through my work on tax morale, I've been able to explore issues around voluntary compliance and responsible tax. In our publication *Tax Morale II*, we looked at how tax administrations and MNEs viewed each other, and how well MNEs were perceived to be adhering to responsible tax principles. The results showed that trust sits at the heart of the issue, and there needs to be more focus on how we build (or rebuild) trust between tax administrations, taxpayers, and society as a whole.

The more we can trust that taxpayers are behaving sensibly, following the spirit of the law and doing things responsibly, the less impetus there is to put in place an ever-growing barrage of complex regulations and everything else. The more that we can rebuild some trust that the majority of taxpayers are going to play fair, the lower the demands for the regulatory environment will likely be. And in return, the more tax administrations can be trusted to treat all taxpayers fairly and equally, the more likely taxpayers are to be more willing and proactive in compliance. To that end, the more that we can view the responsible tax agenda as a complement to the regulatory and legal discussion the better, because they can work as counterweights to each other.

What would you like to see the Global Responsible Tax Program progress towards?

I think there is still a deeper discussion to have on: how responsible tax looks in different circumstances, whether responsible tax behavior differs in a country with lower capacity, and tax laws that look very different to those in Europe. How can a taxpayer meet a consistent standard

Joseph Stead

of responsible tax behavior across all their operations in such different operating environments? I know there's been some progress, but it would be good to go further.

Alongside that, however, I think it should think about taking some time to celebrate success, because I think there has been great progress and I don't think we talk enough about it. One of the real challenges we have in talking about success though, is that I've had interesting discussions with tax folks from multinationals and they can speak in generalities about how things have changed, but are not comfortable to put down specifics. I think if we are looking to build trust, we want to know what you are doing or not doing now that means we can trust things have changed. I think we need to find a way to talk about some of that. I think it's a really challenging piece to do but I think getting to some of those specifics is how to build some trust back up — with something concrete to grasp. I think there's a positive story in there, but I understand why lots of people are very wary to talk about it, because it opens up questions about the past and none of us like to admit that we did things that we're not proud of in our past.

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Mary Baine

Deputy Executive Secretary at the African Tax Administration Forum

The African Tax Administration Forum is an African inter-governmental organization leading tax administration reform, and facilitating peer support among tax administrations in mobilizing greater domestic resources through improved efficiency and effectiveness in their operations. Mary Baine's work includes the supervision of multiple technical assistance engagements that include but aren't limited to: VAT as a flagship tax, and Multiple Country Programs featuring Transfer Pricing and Exchange of Information interventions in ATAF's Technical Assistance Program. Prior to this assignment, Mary served as the Permanent Secretary of the Ministry of Foreign Affairs and Cooperation of the Republic of Rwanda, and as Commissioner General of the Rwanda Revenue Authority, having grown through the ranks of the different tax departments over a 17-year period.

Could you share a bit about your background and how you have come to be involved with the Global Responsible Tax Program?

By way of my background, I hail from Rwanda, where I joined the tax world and started in the Customs Department of the Rwandan government. At the time it was under the Ministry of Finance, and that was immediately after the genocide in Rwanda in 1994. I joined in August, and I grew through the ranks. I worked at Customs, at the tax department, in the Taxpayer Education Department, and eventually grew to head the Tax Administration.

As Head of the Tax Administration, I became one of the founding members of the African Tax Administration Forum (ATAF) in 2009, where I was a member of its first governing Council. I joined ATAF in 2016 and headed its tax programs up to December 2023 — that's where I met and joined KPMG's responsible tax family.

Can you take us through what your everyday challenges were when you began your career?

I joined immediately after the genocide. The government was trying to raise money to run its business, a lot of the workers had perished in the genocide while others had participated in the genocide. There was a need to fill this gap for business continuity.

So, one of the challenges that we had was that we did not have the time to train, understand the ropes, and then go into the job. We had to hit the road running. As I grew through the ranks, and when the Rwanda Revenue Authority was formed in 1998 as a semi-independent arm to collect tax, I successfully applied for a managerial-level role. The biggest issue then was very low compliance. There needed to be extensive tax education to tell people — who were really struggling to make ends meet — that their taxes would come back to provide the public goods that they required in their everyday lives. It was a real challenge. The capacity



Mary Baine

issues that existed at the time led us to create an organization that would operate at a continental level and that would not only help build capacity within the tax administrations but would also provide an opportunity for peers to support each other. So that's how the African Tax Administration Forum came to exist.

How did you go about building up tax morale from a very low base?

In Rwanda specifically, the entire government was extremely supportive. The effort was not just from the tax administration, it ran through all arms of government and was led by the central government. For instance, we enjoyed extremely good rapport with Parliament, and we also had sessions, even with the judiciary, to explain some of the tax laws, so that if there was any reason for litigation, they would have at least the basics to understand what was happening and provide a ruling that was fair to whichever party was aggrieved.

When the Government spoke and expressed what their development program was going to be, it was easy for the citizens to see that this was working because when they talked about education, it was clear there was an investment in education and there was an improvement. If they talked about the Ministry of Health in the health sector, then there was improvement in the health sector. The government actually took part in tax education. For instance, Rwanda was the first country on the continent to introduce what is called the Taxpayer Appreciation Day — which has been adopted by most countries in the eastern and southern parts of Africa. It is still celebrated today and the taxpayer is seen as a crucial part of the development of the country. All that was really a way of expressing the Government's interest in building a social contract that sometimes is difficult in some parts of the world.

Is there a sense that the global tax system hasn't been fair or responsible where the developing world is concerned?

I think two things come to mind. The first area is the rules. The rules of taxation are set globally, but our part of the world has hardly been at the table in terms of the setting of those rules. So understandably, the rules don't largely favor our part of the world. So even where, for instance, companies, multinationals, operate globally, you find that we are at the very low receiving end because the rules favor the resident countries as opposed to the source countries, which most countries in Africa are.

And that is why a program like the Global Responsible Tax Program — where these issues are debated — is invaluable. In recent years, there have been efforts to address this problem through different fora in Paris, through the inclusive framework, and now at the UN, but the results are yet to be realized. It's still very much skewed towards the resident countries as opposed to the source countries.

Can you share some examples of what you would like to see on the agenda for global bodies and also in the arena of responsible tax generally?

In terms of global bodies, I would first look at their frameworks. I would first ensure that whatever is in the framework does not favor one part of the world and that it is a framework that will allow everybody to express themselves, to talk about their pain points, and to get an outcome that will allow them to collect revenue for development.

Secondly, I would then look at the key areas that need to be addressed. One of the key challenges for the developing world is the taxation of the digital economy. A lot of revenue is being lost because it is very difficult to establish the tax point.

I would then like to look at the issue of capacity. Are the people at the discussion table there with enough capacity to articulate the issues? And if not, how can global bodies like the UN support that? How can we use regional organizations like ATAF to support some of these countries?

Do you think things are moving in the right direction, that things are moving forward?

One hundred percent. I have no doubt whatsoever that the tax landscape, the way it was when I joined and the way it is now, is like night and day. And if you look in terms of efficiencies, if you look at how we, for instance, carried out audits when I joined and how audits are carried out now, the change is vast. Digitization is a game-changer in both efficiency gains and the use of data analytics that provide more precision in the assessment and collection of tax.

Mary Baine

If you look at the services that are provided, a lot of the tax work and the obligations of the taxpayer are now carried out on digital platforms. So, things are generally, much easier for the taxpayer and also much easier for the tax administration.

We're going to countries to provide capacity-building support. We're going to countries to provide technical support, including everything up to support in direct audits. And we go into countries to provide policy advice. But we also provide the voice for Africa in terms of global rules and the setting of tax standards.

I would say that I go to work motivated knowing that we are making a difference because the countries are taxing better, they are becoming more effective, they are becoming more efficient, they are contributing a lot to their domestic revenue mobilization through taxation. So, again, at the global level, we are actually at the table and discussing issues that will hopefully lead to us getting more equitable rights.

I think 10 years is a great milestone for the Responsible Tax Program. When I received the email, I could hardly believe that it's been 10 years since this conversation started. It all points to the fact that globally people are trying to see how tax can be given a human face, so that when taxation happens it is not just happening as a standalone event. It is happening because there's a desired outcome that this tax will be used to improve people's lives. And therefore, everybody in the value chain is responsible and is doing their part.

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Benita Mathew

Lecturer in AI and Fintech at the Surrey Institute for People Centered AI and the Department of Finance and Accounting at the University of Surrey

Benita Mathew is a lecturer in AI and Fintech at the Surrey Institute for People Centered AI and the Department of Finance and Accounting at the University of Surrey. Her research interests are cross-jurisdictional tax cooperation, trustworthy AI frameworks in tax administration and the use of digital tools to inform tax policy decision-making. Benita's PhD at the Surrey School of Law rethinks the role of the digitalizing economy in international business tax reform. She holds an MSc in Accounting and Taxation from the University of Exeter and is an ACCA and ACGP Affiliate from PwC Academy.

Can you tell us a bit about your background and what brought you into the world of tax?

As a lecturer in AI, Tax and Fintech at the University of Surrey, my research cuts across the accounting, tax, computer science, law and public policy disciplines. At our Institute for People Centred AI we have a mix of engineering, computer science and domain specialist research across veterinary science, health, environmental science, business, law and ethics. A lot of my research is interdisciplinary and I currently work alongside corporate governance experts, computer scientists, lawyers and social scientists.

I originally trained in accounting and started out looking at tax through that lens. I got to the point in my studies where you pick the modules you specialize in, and that's when I picked tax and audit.

I recall that during that time, the tax module had the fewest sign-ups — perhaps because the logic of tax requires one to tap into a very different type of understanding to that of finance and audit. I chose that module because the tax lecturer was amazing, otherwise tax as a subject had a very daunting reputation.

Recently, my research has centred on developing trustworthy AI frameworks for tax administrations across the world and exploring the use of digital tools to inform tax policy decision-making. This work led to my involvement in the Global Responsible Tax Program, where

we have a multi-disciplinary team of experts exploring opportunities to advance a more inclusive future in AI and tax, discussing a variety of dimensions to the trustworthy AI problem. Interdisciplinary work is at the core of advancing understanding and solutions in this area.

The rise of using AI in tax is currently a hot topic. What do you think about some of the benefits and concerns?

The big challenge that I see is having to be agile to respond to these issues, because the development of AI solutions and digital solutions are moving at a very fast rate and we don't want to stifle innovation while designing new governance standards that add to compliance efforts. Despite recent advances in policy and law to enable the safe use of AI in public services, the practical implementation of these rules on a daily basis poses new risks and unknowns.

The trade-offs between the benefits and costs of AI and digitalization agendas in the public sphere are not straightforward given the scope of widescale impacts and new types of risks. There are a lot of benefits, such as being able to look into real-time economic data, improving economic efficiency, identifying fraud and building tailored services for taxpayers who need compliance support. But it is not obvious that AI tools are necessarily the right type of solution to solve these problems.



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If we're going to choose an AI solution upfront, then as we saw in digitalizing tax compliance contexts, there are going to be new risks and we're going to have to incur costs in setting up changes to governance systems and support employee training to work with a reformed service operation. The first question becomes: Is the AI solution worth it? Are the benefits worth all of these additional risks, mitigation strategies and upskilling which need to be implemented in a short span of time, ensuring that taxpayers are safe from potential impacts? The practical side to ensuring safe AI, that is documented and can be audited, is not a simple task and requires new reporting lines, with inter-disciplinary AI project teams across the public sectors.

The second question is: How is the tax official using the outputs of AI tools? We need to understand the basic maths underlying the data that's processed within the AI tool so that we can interpret its outputs accurately, with an understanding of its limitations, as that is then informing our decision-making in the service chain.

Another critical issue with using AI in tax is around where data is collected from and whether it's accurate or up-to-date. Maintaining fair procedures, with ample opportunity to address taxpayer requests and concerns about real-time data use and data access, requires new reliable validation tools to help mediate between the taxpayer and the tax authority.

The role of the tax official is evolving. At present there is a significant knowledge gap in tax procedure expertise and AI model expertise and in learning how to use and interpret AI tools correctly — but this is also why the role of the experienced tax official is not really going out of date or superseded with the advent of AI tools. Instead, the official's expertise is all the more important in exercising scepticism in decision-making. In principles-based systems, like we have in the UK, interpreting the rules, evaluating past cases and understanding necessary interventions requires prior knowledge and experience that cannot be replaced by mere AI tools, even when these tools inform the practice. AI tools may not necessarily be at a point where we can use them to interpret rules correctly.

How important will international collaboration be when considering AI in Tax administration?

The challenges and risks associated with incorporating AI tools into the tax administration service chain are shared globally. The new incremental risks of using AI in

the service sector challenge tax administrations across national borders. This is less of a political issue and more of an operational issue, which means we have more opportunities to work together across borders to share best practice and solutions for these risks.

There is a lot of opportunity to share what each tax administration has learned from pilots and prior experience and to share technological solutions instead of reinventing the wheel each time. Countries have already been working together and there is a lot of potential to grow together moving forward in this area.

How should we go about creating a governance framework around tax and AI?

There have been some concerns voiced about the lack of clarity in the laws, policies and governance frameworks that have been proposed so far. While it's good to say that we want to have AI within tax administration that is trustworthy, fair, robust, accurate, explainable and transparent, with a clear line of accountability, there is a lack of a consensus on what fairness means and how we actually ensure accountability is exercised across the value chain. How do we actually implement communication between taxpayers and the tax administration to ensure that their concerns of privacy over their data usage have been addressed?

This is an area where there's a lot of potential for work to be done because the principles themselves don't necessarily address the problem at a ground level in practice. As these principles of trustworthy usage of AI, in addition to inherent trustworthy AI metrics, require a consideration of the specific type of use case, decision-making process and characteristics of taxpayers impacted across SMEs, self-employment and benefits claims. It's tricky to find a common point, as internal controls need to be tailored to the service operation.

Another issue that is not really brought to the forefront is that people think that fairness is, as a principle, the opposite of the risk of discrimination. But they are not exactly complete opposites, and fairness requires a definition or a goal that we want to achieve in terms of impacts, whereas the risk of discrimination varies across the type of AI we're using and what kind of data set is an input. This is a space that lacks discussion at present and is something that I'm trying to explore within my research, alongside how risks overlap with principles and to what extent there are gaps that we still need to consider.

Benita Mathew**Do you feel optimistic that things will become both fairer and more efficient?**

Yes, I think that's the direction that we are headed in, particularly as I see other experts making time outside of their normal working hours to get together to resolve these challenges. Leadership at tax administrations are aware of new risks arising from the use of AI and have the issue of the trustworthy use of AI prioritized on their agendas for reform.

Across the digitalization agenda there is more scope to make tax compliance effortless, or as effortless as possible, and I think that's the big dream.

On the tax policy side, thinking about the research from my PhD, I'm trying to think about how we can get to a point where all countries have equal tax rights over multinational business profits in the digital era and beyond. There are points where the digitalization agenda feeds into designing more efficient tax policy in the longer term when traditionally, these were seen as two separate areas of study. Access to new technologies, data and governance models eases some of the traditional problems that hindered policy reform.

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About the Global Responsible Tax Program

Tax is often considered the cornerstone of the social contract. The current landscape has emphasized the environmental consequences of business activities, bringing environmental, social and governance (ESG) to the forefront of leadership agendas globally. The global reality of tax demands both global conversation and action.

The responsibility of companies to demonstrate the positive impact they are making for their people, their customers and society is creating a complex stakeholder environment that tax leaders must learn to navigate in the future.

KPMG tax professionals are united by our values, governed by our Global Tax Principles and Global Quality Framework, and driven by our purpose to inspire confidence and empower change. In addition to delivering a range of tax compliance and consulting services that align with our responsible tax principles every day, KPMG professionals deliver targeted approaches to help tax leaders embrace their role in the broader ESG agenda through KPMG Tax Impact Reporting, while also engaging in sustained, inclusive and cohesive discussions through the KPMG Global Responsible Tax Program.

This global initiative aims to reveal a shared understanding of how responsible tax at an international level works across corporations and tax jurisdictions — for advanced, developed and developing economies — through roundtable discussions, online conversations, articles and our Global Tax Policy Leadership Team.

The KPMG Global Responsible Tax Program is built on three core pillars:

- **Engaging in productive debate:** We believe there is a need for the world to have a sustained, inclusive and coherent discussion about the key issues affecting and shaping taxation in the modern world. We recognize this is not easy terrain and believe diverse voices are needed.
- **Convening diverse voices:** Through the program, we bring together a diverse community of stakeholders — from academics to activists to businesses to non-governmental organizations — to have the open discussions necessary to help inform the tax debate.
- **Sharing insights and ideas:** The program consists of both an online community and discussion forum, where anyone with a view is welcome to have their say, and a series of in-person and virtual roundtable discussions held all around the world.

Discover more about the [Global Responsible Tax Program](#) and how it's shaping the global tax conversation.

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