www.pwc.ch

Public tax transparency

Building stakeholders' trust through sustainable disclosures

pwc

Public tax transparency benchmark study

2022

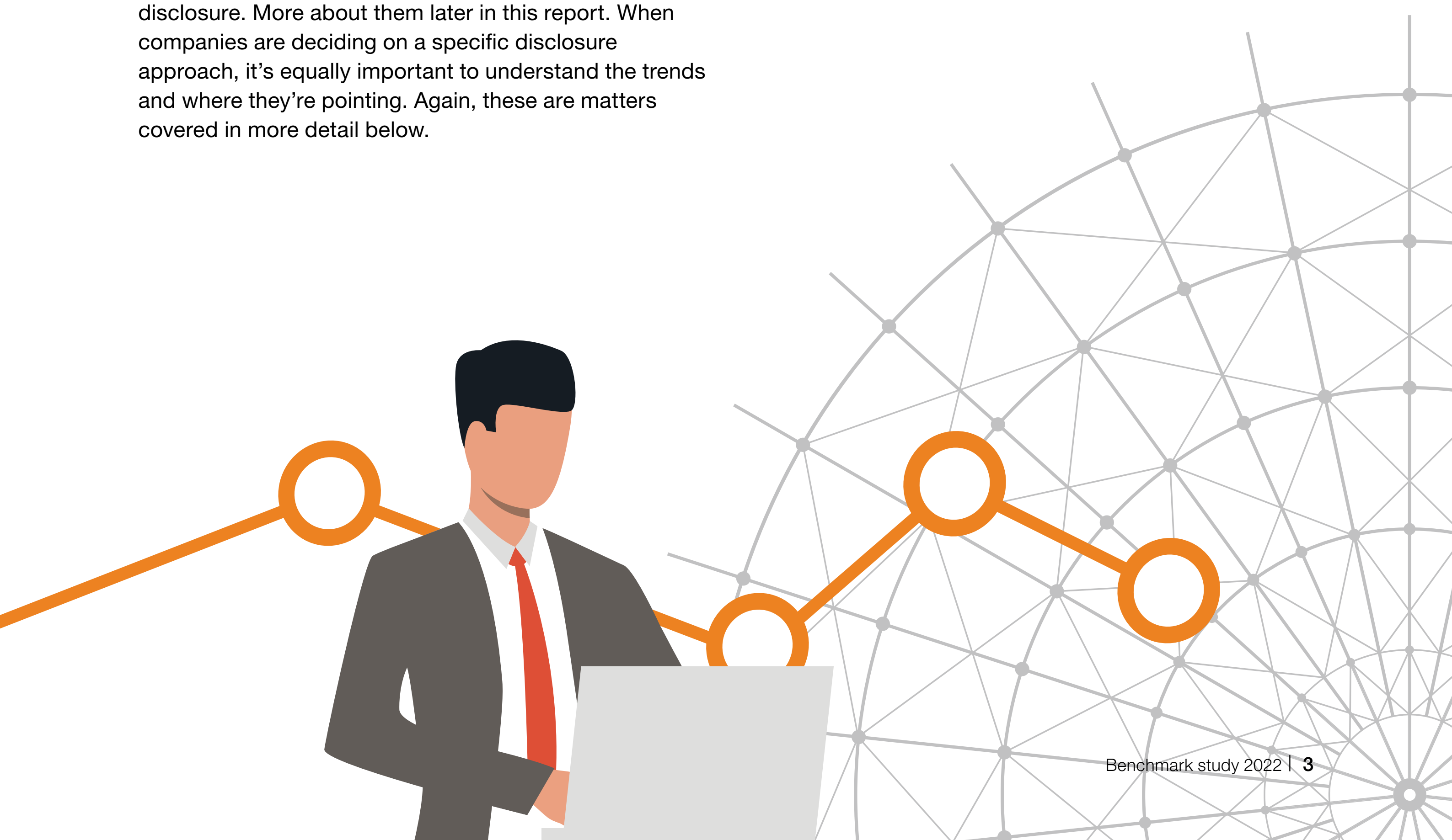
Executive summary

In the four years since we published our first Swiss benchmark study, we've been predicting that it's only a matter of time before public tax transparency kicks off and is embraced by companies across the board. Has that time now come? The rapid and significant changes reflected in this, the latest edition of our Tax Transparency Benchmark study, suggest that it has. It's not just that more companies have achieved Advanced disclosure status under the terms of our benchmark. It's the fact that high-profile regulation as well as sustainability initiatives governing areas such as public Country-by-Country Reporting (CbCR) and sustainability reporting requirements means that when it comes to tax transparency, there's no going back. The thought-leading companies are realising this and are proactively taking control of their tax narrative.

Given the growing public pressure to be tax transparent, it's more important than ever for companies to assess their stance against the evolving backdrop and work out what approach to tax transparency will work best for them. There's no one-size-fits-all approach, and the solution a particular organisation opts for will depend on the nature of its business, its precise circumstances and its relationship with key stakeholders – to name just some of the variables. That said, there's a great deal to be learned from peers that are leading the way in terms of adopting an Advanced disclosure policy. For that reason, this edition of our study will be the first to name a selection of the companies spearheading Advanced disclosure. More about them later in this report. When companies are deciding on a specific disclosure approach, it's equally important to understand the trends and where they're pointing. Again, these are matters covered in more detail below.

Back in 2019 when we published the first Public Tax Transparency Benchmark Study, we analysed levels of disclosure at 50 of the most prominent Swiss-based companies spanning different sectors. The second edition in 2020 tracked the increasingly visible trend towards greater public tax transparency at the same 50 companies during 2020. The third edition in 2021 mirrored developments in disclosure levels among our established sample under the growing influence of major societal, political, sustainability and regulatory developments. The present fourth edition monitors the accelerated development of tax disclosure – but for reasons discussed in more detail in the report, at a modified cohort of companies.

Although the present study examines a slightly different set of companies, the areas it covers remain the same. Like previous benchmarks, it specifically investigates companies' levels of disclosure in terms of Tax Strategy and Risk Control Framework (TSRCF), Country-by-Country Reporting (CbCR), and Total Tax Contribution (TTC). One of the headlines for the 2022 observation period is that in terms of Overall Public Tax Transparency (i.e. taking these three areas together), the percentage of companies with Advanced disclosure levels has doubled. And this has happened not at the expense of Medium levels of disclosure: the share of companies with a Minimal level of overall disclosure has declined by the same number of percentage points.



An increase in the disclosure of the companies' tax matters was already visible in the previous years of the study. For 2019 we found that over all the categories examined, the share of companies with an Advanced and Medium level of tax disclosure increased compared with 2018. Whereas the Advanced disclosure of the Overall Public Tax Transparency stagnated in 2020, the share of companies in the Medium category grew by 4% to 36%. For 2021 we observed stronger movements in all examined dimensions compared to the year before. The Advanced disclosure of the Overall Public Tax Transparency doubled up to 4% and also the Medium disclosure level grew by 2% while the companies qualifying for Minimal disclosure decreased by 4% down to 58% (see Figure 1).

In 2022 we again saw the percentage of companies qualifying for Advanced disclosure on an overall basis double, this time from 4% to 8% (after increasing from 2% to 4% between 2020 and 2021). This rate of increase over two observation periods points to accelerated adoption of high levels of disclosure. While the Medium disclosure category remained constant in 2022 at 38%, the number of companies with Minimal disclosure fell from 58% in 2020 to 54% in 2022 (see Figure 1).

There were also significant movements from 2021 to 2022 in the TSRCF, CbCR and TTC dimensions. Most notable were increases of six percentage points in the numbers of companies with Advanced levels of CbCR and Tax Strategy disclosure. Momentum is definitely building. While Advanced disclosure of TTC is still running at 10%, Medium TTC disclosure increased by 2% at the expense of Minimal disclosure.

Perhaps the most significant development is the way tax has increasingly become an integral part of the overall sustainability transition. Since our last study there have been major changes in the regulation affecting public tax transparency – both directly and indirectly.

First is the EU's public Country-by-Country Reporting Directive, in force since 21 December 2021 and due for mandatory implementation by all EU countries into national law by 22 June 2023. In October 2022 the OECD updated its guidance on the implementation of CbCR which is also relevant for Swiss companies. It shows that tax transparency is an even broader topic than some might assume, going way beyond public tax transparency as we know it. Second, we're seeing a growing number of sustainability reporting frameworks include tax governance and transparency requirements. Third, we're observing a steady increase in the Medium disclosure level of the total tax contribution (TTC) as well as growing discussion of the disclosure of the total economic contribution, which besides tax payments also includes other contributions.

It all adds up to a compelling case for companies to carefully consider their stance on tax and how it's disclosed. As is so often the case, external pressure can be converted into opportunity. Companies thinking ahead of the curve have already done so, and there's much to be learned from their example.

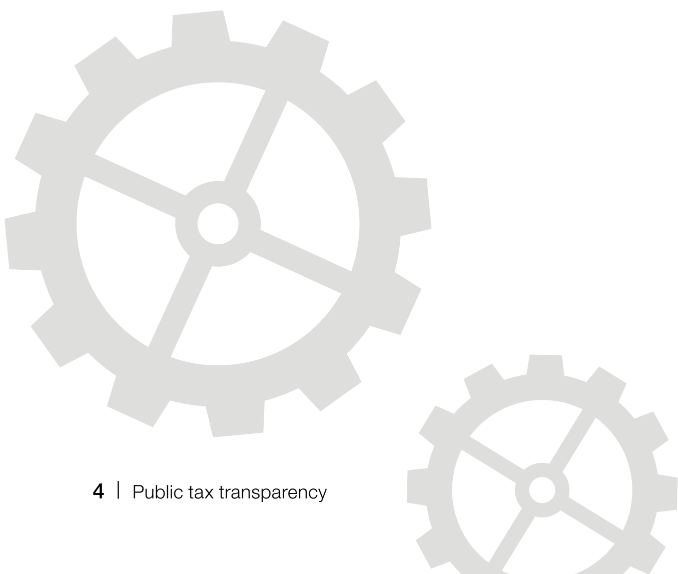
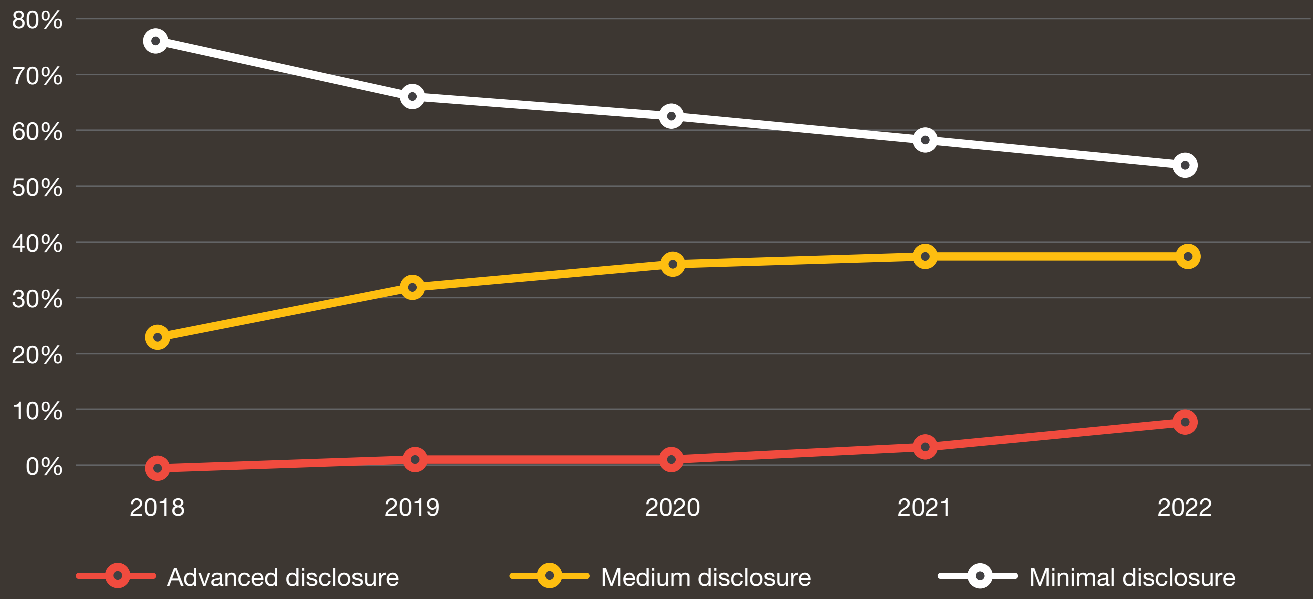
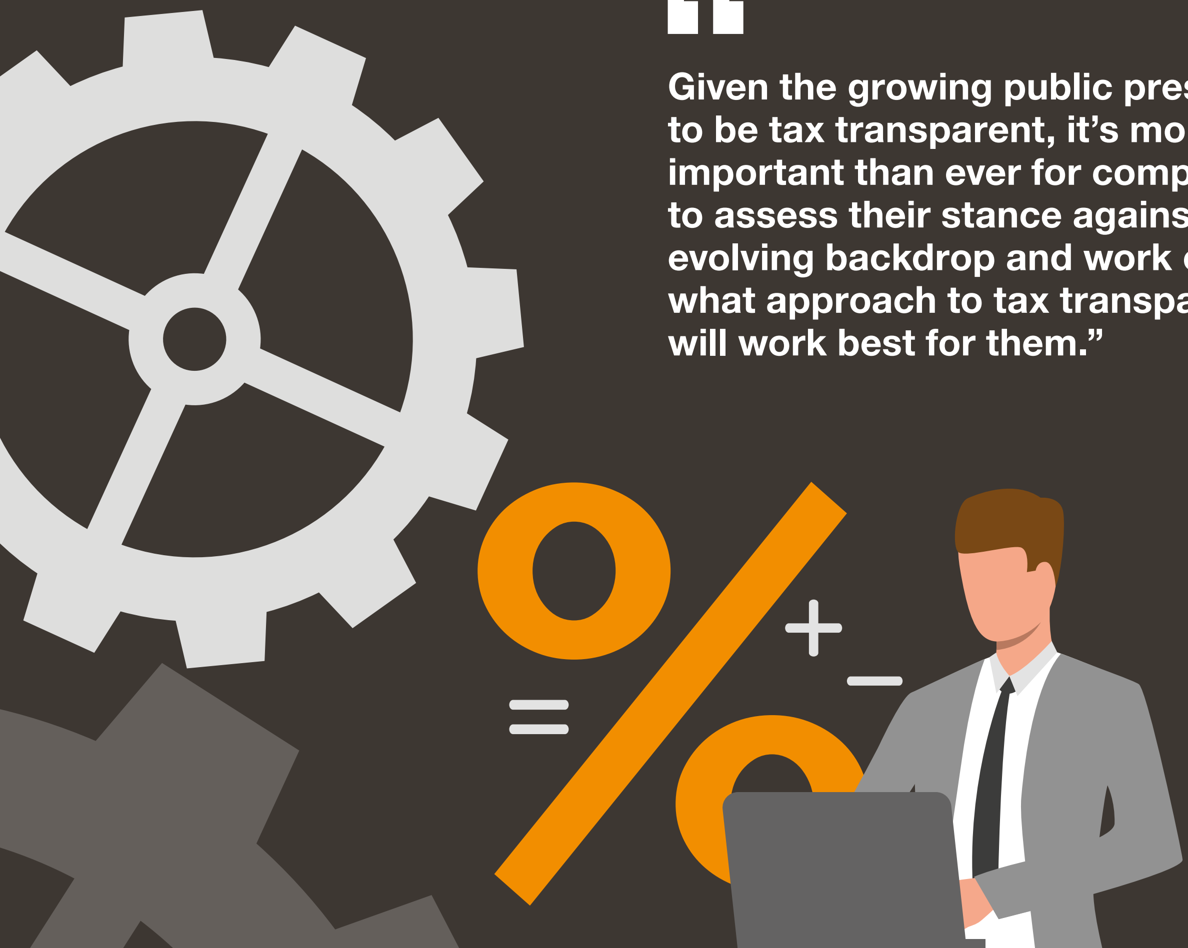


Figure 1: Overall public tax transparency development since 2018



"Given the growing public pressure to be tax transparent, it's more important than ever for companies to assess their stance against the evolving backdrop and work out what approach to tax transparency will work best for them."



1 Introduction

A raft of developments in the last 15 years, starting with the 2008/09 financial crisis and continuing with the OECD's introduction of BEPS in 2015, mandatory tax strategy publication in the UK, numerous tax-related leaks and the inclusion of a tax strategy section in the S&P Global Corporate Sustainability Assessment questionnaire, have accelerated the development of a new attitude to corporate accountability and greater sensitivity around tax transparency disclosure. The debate was heightened by COVID-19, as companies that had received government rescue packages came under public pressure to prove they were making a fair contribution to the recovery of huge fiscal deficits. The recent wave of banking collapses is merely the latest development driving this evolution. In the last two or three years it's been fascinating to observe the ascendency of sustainability-related concerns – and from the point of view of the present study, even more fascinating to see the way tax has increasingly become an integral part of the overall sustainability transition.

There's no better illustration of this than the major changes in the regulation affecting public tax transparency – both directly and indirectly – that have occurred since our last study in 2021.

First is the EU's public Country-by-Country Reporting Directive. The Directive on public CbCR has been in force since 21 December 2021 and must be implemented by all EU countries into national law by 22 June 2023. Poland, Germany, the Netherlands and Spain have already published draft legislations, and Romania has transposed the directive into national law. In October 2022 the OECD updated its guidance on the implementation of CbCR. It shows that tax transparency is a topic with many facets which impacts many areas. It's not just about public tax transparency as we know it.

Second, we're seeing sustainability reporting frameworks (for example GRI 207: TAX 2019; S&P Global Corporate Sustainability Assessment, CSA Companion; World Economic Forum, Measuring Stakeholder Capitalism; and the OECD Guidelines for Multinational Enterprises) include tax transparency requirements. This demonstrates that it is clearly no longer a minority issue. Tax-related behaviour is increasingly read as an indicator of a company's true commitment to sustainability.

Third, we're observing a steady growth in the disclosure of total tax contribution (TTC) information. Among other things this is reflected in an increase of two percentage points in the number of companies with a Medium level of disclosure on TTC. Furthermore, although GRI doesn't contain a requirement to report on TTC, it does include reporting recommendations in its guidance that relate to certain elements of TTC. It's not just that: there's also growing discussion of the disclosure of the total economic contribution, which besides tax payments also includes other contributions such as wages and salaries to government.

Events have certainly borne out our assertion in previous benchmark studies that public tax transparency is a growing challenge, but also a growing opportunity, for companies. The importance of the topic has prompted us to produce a series of publications designed to help corporate decisionmakers understand the issues involved and consider their response. If you haven't done so already, we invite you to explore these brief guides: "What is public tax transparency about?"; "Is it in your interests to be publicly tax transparent?"; and "How to implement public tax transparency". The growing literature on the subject now also includes studies done elsewhere showing that tax transparency is also an important issue in other countries (including Austria, Brazil, Germany, the Netherlands, South Africa and the UK).

The study you have before you is the latest in a series of reports based on our public tax transparency benchmark. It's designed to help readers understand Swiss companies' response by comparing their disclosures since the last study in 2021.

2 Objective of this benchmark study

With tax becoming an increasingly integral component of the sustainability debate, it's crucial for decisionmakers within companies – and not just their tax function – to know how their peers and the best in the market are responding to the challenge. Our 2022 Public Tax Transparency Benchmark Study is geared to anyone in a position of corporate responsibility seeking insight into where the bar of public tax transparency is set today, the direction it will most likely move, and where the broader topic of tax transparency is headed.

We hope to provide an updated view as to where public tax transparency stands. Are there any differences in the various areas of public tax transparency, and where are they going? Can we identify a clear trend?

We're not prescribing any particular response. This study of Swiss-based companies is designed to help you define your own stance and response to the challenge of public tax transparency. We believe it can serve as a compass for any company that finds itself in the middle of this vast, dynamic and growing upheaval.

3 Scope of this benchmark study

To ensure that the 2022 results are comparable with the 2019, 2020 and 2021 editions, we have not changed the areas of public tax transparency disclosure covered by our Swiss benchmark study. Once again we have analysed the disclosure levels of 50 of the most noteworthy Swiss-based companies across ten different industries.

As in the last four years, we distinguish between three different areas of disclosure: Tax Strategy and Risk Control Framework (TSRCF), Country-by-Country Reporting (CbCR) and/or Total Tax Contribution (TTC). Each area is assigned to the classes 'Minimal', 'Medium' and 'Advanced' according to pre-defined criteria (comprehensive information on the areas and criteria are available in the methodology section in the appendix). Based on that, we have evaluated the companies' overall public tax transparency level.

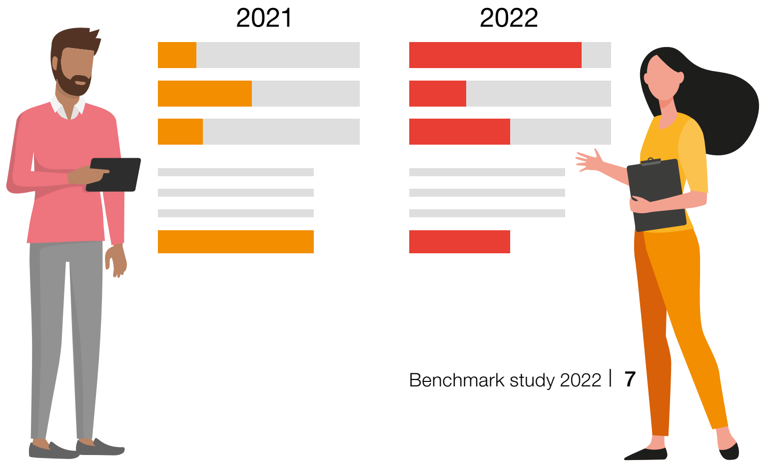
This analysis was conducted from 2018 up to 2022. By comparing the data from 2018, 2019, 2020 and 2021 with the results from 2022, we have attempted to identify a trend.

While the areas of disclosure analysed have not changed, there has been a change to the sample of companies included in the benchmark. During the transitional period this will slightly affect the comparability of the findings, but it will ensure greater consistency in the longer term.

The change in the set of companies assessed was prompted by a study of public tax transparency we at PwC Switzerland conducted in collaboration with PwC in Germany and Austria (covering the DACH countries: Germany, Austria and Switzerland (Please find here the link to download the study). The companies covered by the DACH Tax Transparency Study do not fully match those investigated in PwC Switzerland's previous benchmark studies since for the DACH Tax Transparency Study, we took the companies represented in the SMI Expanded.

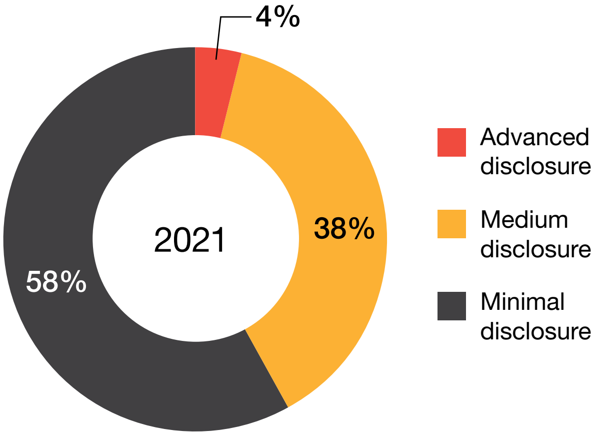
We want the findings of the present Swiss benchmark study to be comparable with the DACH Tax Transparency Study, but we also want to preserve continuity with previous Swiss benchmark studies. In the present benchmark study, we have therefore included the 50 companies from the previous benchmark study as well as the companies featured in the DACH Tax Transparency Study (which partly overlap). The graphics for both groups of companies are shown separately in the following chapters. From next year onwards we intend to include only the companies featured in the DACH Tax Transparency Study as we weight the comparability between those two publications higher.

More extensive and detailed information on the methodology is provided in the appendix.



4 Results

Figure 2: Overall Public Tax Transparency of the Swiss benchmark study companies



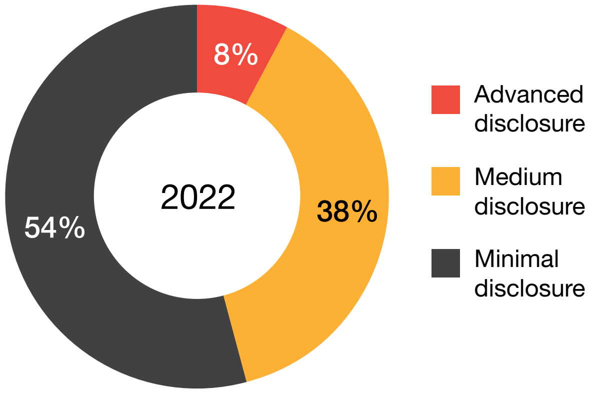
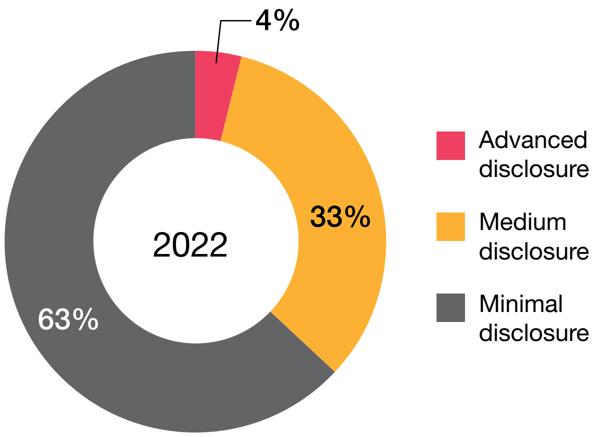


Figure 3: Overall Public Tax Transparency of the DACH Tax Transparency Study companies



Overall Public Tax Transparency level

In 2021, the number of companies that qualified for the Advanced disclosure category doubled – although on a low level – from 2% in 2020 up to 4% in 2021. Moreover, the share of companies in the Medium category grew to 38% (+2%). Only 58% (-4%) of companies remained in the Minimal disclosure category (see Figure 2).

In 2022 the percentage of companies rated Advanced overall (for the same sample as in the previous Swiss benchmark studies) also doubled, but this time from 4% to a much more substantial 8%. The proportion meeting the standard of Medium disclosure remains unchanged at 38%. A 4-percentage point decline in the number rated Minimal overall (down to 54%) tallies with the 4-percentage point increase in Advanced disclosers.

The new sample (DACH Tax Transparency Study companies) yields slightly different results, with 4% rated Advanced, 33% Medium and 63% Minimal (see Figure 3). There are no year-on-year comparisons for this sample. However, the figures suggest that the DACH Tax Transparency Study companies lag the Swiss study companies slightly over all levels of disclosure.

Companies rated Advanced for overall disclosure include for example Adecco and Swiss Re.

To get a better understanding of where companies can and will increase transparency, we can examine the types of tax-related information that are more or less likely to be disclosed. TSRCF is still the most developed category, followed by TTC in second place and CbCR in third (which means it remains the least transparent category of disclosure, as it has been since we started our Swiss benchmark studies). One conclusion might be that companies are already able and willing to disclose their tax strategy in broad strokes, but are still tentative about giving away quantitative data (e.g. figures for income tax accrued by country as part of public CbCR). As we have noted, however, this state of affairs is set to change for many companies with the advent of mandatory EU public CbCR.

A striking finding is that the overall disclosure level for the new set of companies featured in the DACH Tax Transparency Study is lower than for the sample used in our Swiss studies so far.

Tax Strategy and Risk Control Framework (TSRCF)

For each year since 2018, TSRCF has shown the highest increase in Advanced disclosure companies and the greatest decline in Minimal disclosure companies. Also in 2021, TSRCF was the category in which the greatest change could be seen in our survey. Companies who qualified for Advanced increased by 6% to more than one-third of all companies in scope. On the other hand, the number of Minimal disclosures decreased to 38% (-8%), whereas Medium TSRCF companies increased to 26% (+ 2%).

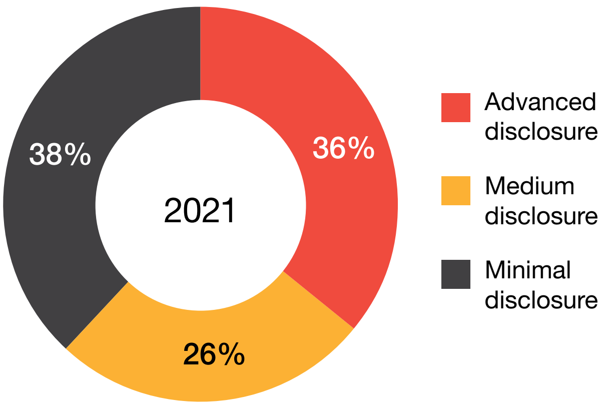
The trend has continued in the latest study. The proportion of companies in the Advanced category for TSRF increased 6 percentage points to 42%. This time, however, the increase in Advanced-rated companies was matched by declines in the number of both Medium and Minimal disclosures (see Figure 4).

The companies in the DACH Tax Transparency Study are not so far down the road of TSRCF disclosure, with Advanced disclosure accounting for 35%, Medium 17% and Minimal still a substantial 48% (see Figure 5).

As we concluded in our last study, companies tend to disclose more about their management approach than publicly show their tax numbers. This is understandable considering that it's less of a risk (or perceived risk) to describe the tax approach in broader strokes than to reveal granular information on actual tax-paying behaviour.

Apart from this, the increase in Advanced disclosure for TSRCF reflects the increasing importance of a tax governance framework, of which the tax strategy is a part. Companies aren't just expected to have a framework in place internally; they're also expected to publish it for their stakeholders. A solid tax governance framework gives a company's tax function a clear direction and mandate. It also enables the company to explore and capitalise on the opportunities that come from a deeper understanding and analysis of tax within its business models, as well as ensuring proper tax risk management and defining a tax transparency strategy in meeting the increasingly tight tax transparency requirements.

Figure 4: Tax Strategy and Risk Control Framework (TSRCF) of the Swiss benchmark study companies



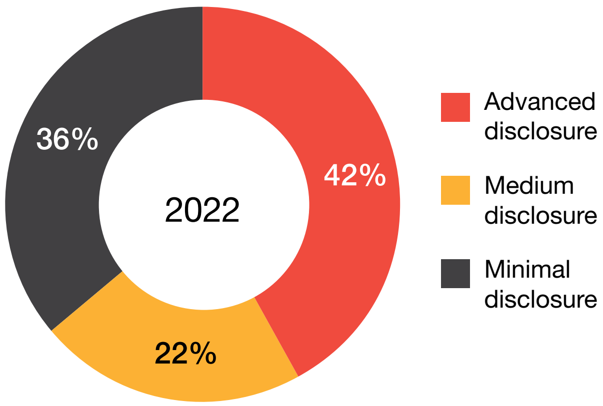
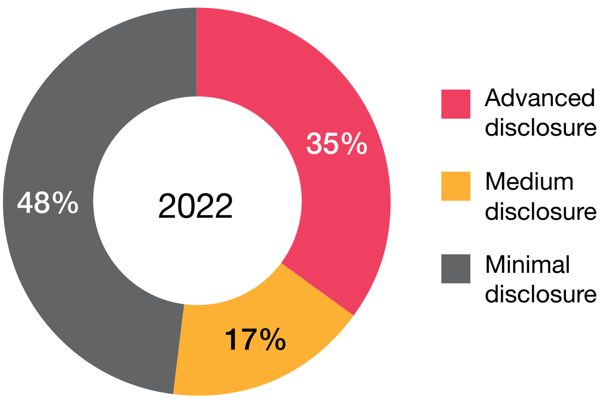


Figure 5: TRSF of the DACH Tax Transparency Study companies



Country-by-Country Reporting (CbCR)

CbCR is still the least transparent category in terms of companies with Minimal disclosure, with 76% of the Swiss study sample rated Minimal in 2022 – the same basic pattern seen every year that we have observed (since 2018). However, there has been a significant increase in Advanced disclosers in terms of CbCR, up 6% to 8% in 2022 (see Figure 6).

The 2022 figures (no comparisons) for the DACH Tax Transparency Study companies are 4% Advanced, 13% Medium and 83% Minimal, suggesting a lower level of transparency on CbCR than in the original Swiss sample (see Figure 7). Companies rated Advanced for CbCR include for example Adecco and Swiss Life.

Figure 6: Country-by-Country Reporting (CbCR) of the Swiss benchmark study companies

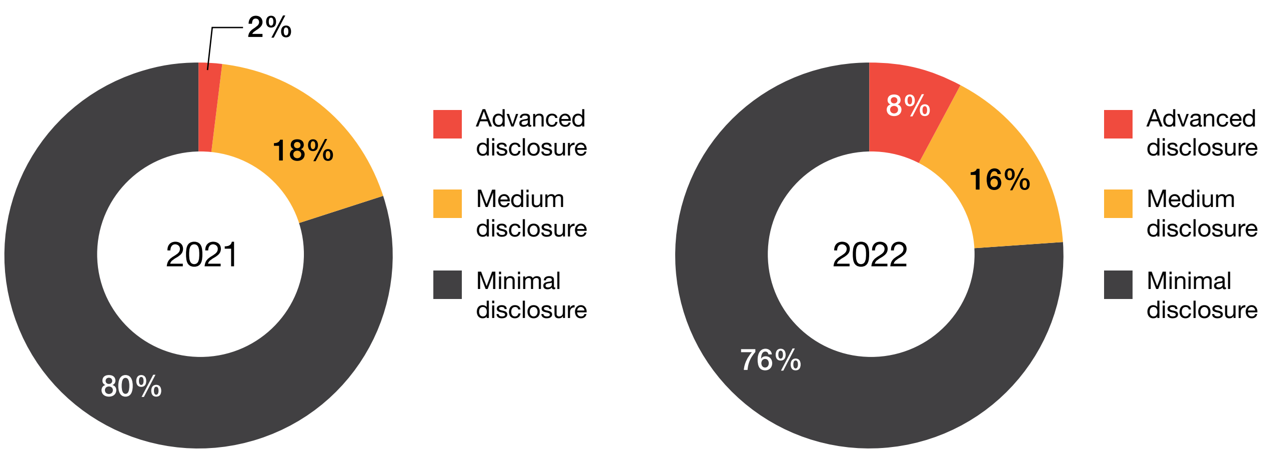
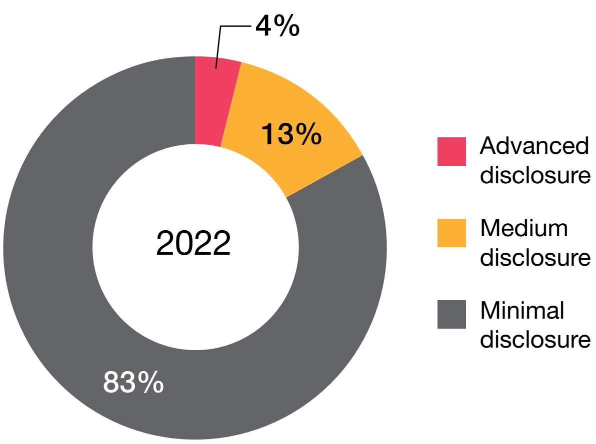


Figure 7: Country-by-Country Reporting (CbCR) of the DACH Tax Transparency Study companies



> “The significant increase in the disclosure of CbCR information comes as no surprise. Public and political interest in CbCR has been growing for many years.”

The significant increase in the disclosure of CbCR information comes as no surprise. Public and political interest in CbCR has been growing for many years.

As discussed in the introduction to this study, a major development has been the entry into force of the EU’s public CbCR Directive in December 2021, with the requirement that countries transpose the regulation into national legislation by 22 June of this year. Since any multinational company — European or not — that currently operates in the EU’s single market with a permanent presence in the Union and that has a turnover in excess of EUR 750 million has to comply with the requirements, Swiss-based companies are also affected. Under the directive, certain multinational groups or standalone entities, whether headquartered within the European Union or not, will be required to publicly disclose Country-by-Country data for each EU Member State, each of the countries that are on the EU list of non-cooperative jurisdictions for tax purposes (the EU’s ‘blacklist’), and each of the countries that have been included for two consecutive years on the list of jurisdictions that do not yet comply with all international tax standards but have committed to reform (the EU’s ‘grey list’). Our findings for CbCR disclosure suggest that some companies will already have been thinking about how to collect the necessary data or have even published Country-by-Country Reporting to be one step ahead of the imminent change in the legislation.

The pressure on companies has also been stepped up by the GRI 207: Tax 2019 Standard as well as the S&P Global Corporate Sustainability Assessment, which both also contain a section about public CbCR disclosure.

In past benchmark studies, levels of CbCR disclosure have been noticeably low compared with the other areas of disclosure. In our 2021 study, however we predicted potential for a rapid rise in CbCR disclosure. It’s a big step for companies to take to disclose tax in the revealing detail required by public CbCR – disclosure may entail competitive, reputational and misinterpretation risks. But the fact that CbCR is now mandatory means that the companies affected have no choice. It also levels the playing field to some extent: all companies are in the same boat and risk less by disclosing in such detail. The increase in CbCR disclosure in this year’s study is significant, and it will be interesting to see how the numbers develop in the years to come, also with regard to the companies not required to comply with the EU Directive.

Total Tax Contribution (TTC)

While the Advanced category for TTC disclosure has levelled off at 10% in the latest study, there has been movement in both the Medium and Minimal categories, up 2 percentage points and down 2 percentage points to 22% and 68% respectively (see Figure 8). This comes, however, after greater movement in both the lower categories in previous studies.

The 2022 findings for the TTC disclosures of DACH Tax Transparency Study companies are as follows: Advanced 8%, Medium 11% and Minimal 81% (see Figure 9). Examples of Advanced disclosers are Nestlé, Swiss Re, Zurich and Richemont.

While Advanced-level disclosure of TTC stagnated in 2022, companies qualifying for Medium disclosure grew by 2% up to 22%. One reason for this increase is the constantly growing impact of ESG (under pressure from the stakeholders), which means that companies are increasingly under pressure to report the taxes they have paid. The higher percentage of Medium disclosers (accompanied by a fall in the percentage of Minimal disclosers) suggests that the broad mass of companies are following the Advanced disclosers' lead. Total tax contribution is still an area with considerable potential for increasingly comprehensive disclosure, especially given that the discussion has even extended to the possibility of total economic contribution.

Figure 8: Total Tax Contribution (TTC) of the Swiss benchmark study companies

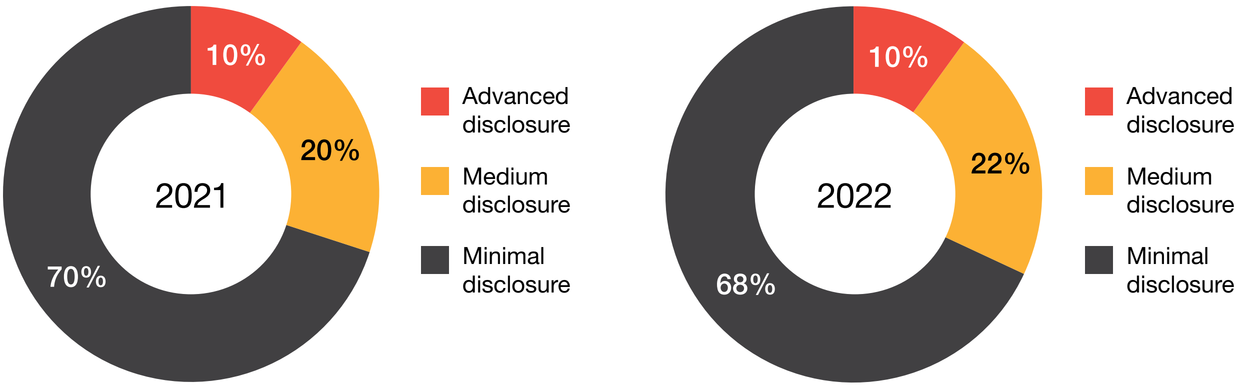
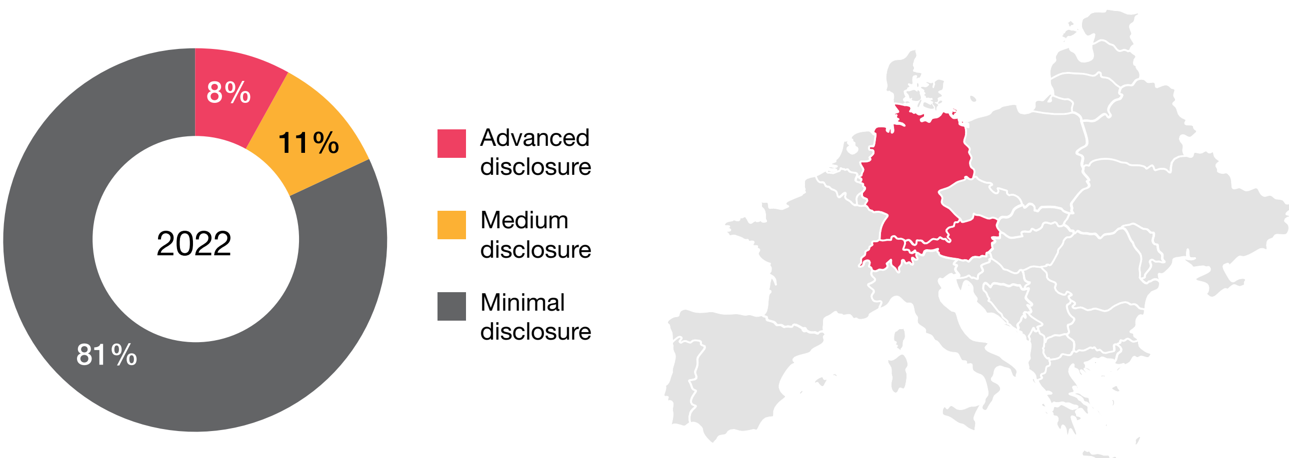


Figure 9: Total Tax Contribution (TTC) of the DACH Tax Transparency Study companies



5 Conclusion

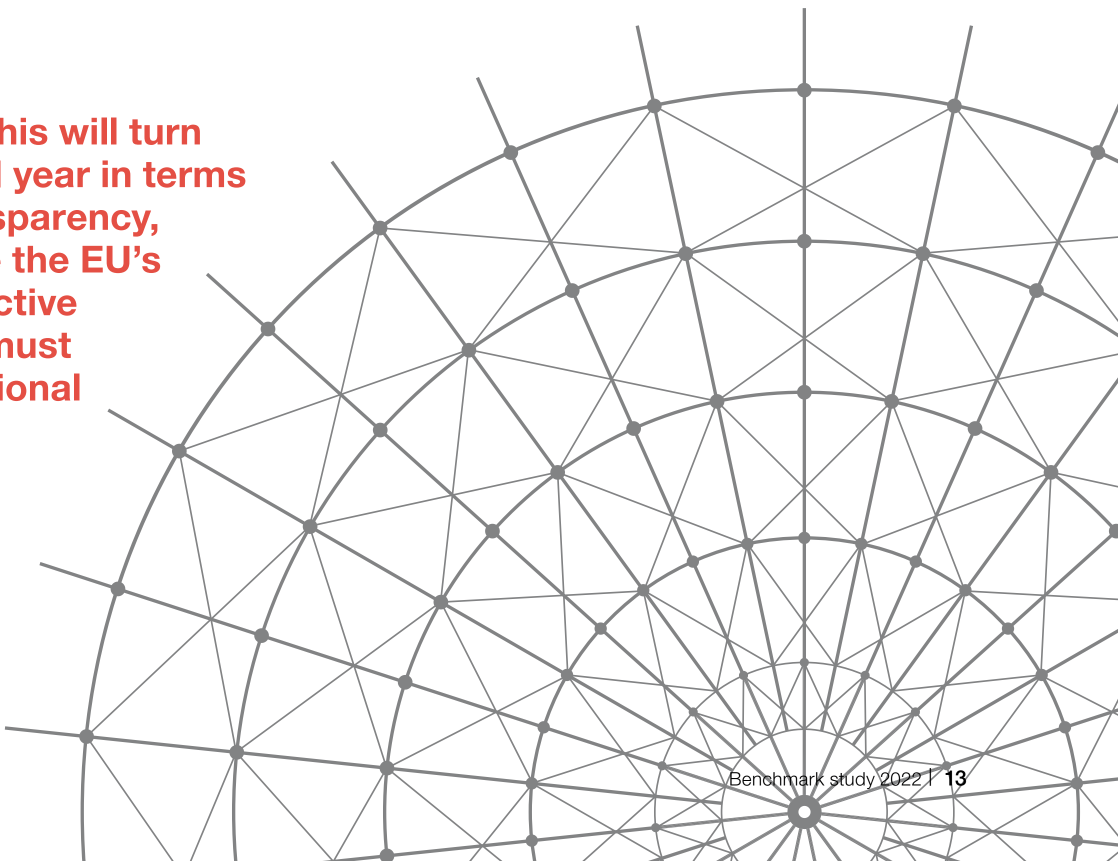
Our 2022 study of Swiss companies suggests that the trend towards more transparency on tax continues, both overall and across all the areas of disclosure we measure: Tax Strategy and Risk Control Framework (TSRCF), Country-by-Country Reporting (CbCR) and Total Tax Contribution (TTC).

We suspect that this will turn out to be a pivotal year in terms of public tax transparency. Why? Primarily because the EU's public CbCR Directive takes effect and must be adopted in national legislation. This will be a game-changer, and not just for the EU-based companies affected by the new regulations. Swiss entities of a certain size doing business in the EU's single market will also feel the impact. For companies in scope, Country-by-Country Reporting will no longer be optional. An increase in disclosure reflected in the present study is likely to be only the start, representing moves by early adopters to get ahead of the legislation. Expect to see the number of Advanced and Medium CbCR disclosers increase, possibly dramatically.

Developments on the CbCR front are underpinned by wider trends related to the sustainability transition. Who would have thought even five years ago that questions of wider corporate responsibility would be having such a decisive impact on how companies operate, how they present what they do – and in particular how stakeholders expect them to behave and communicate around tax?

Tax transparency is still high on our clients' internal agendas. Companies increasingly recognise that tax transparency sends a powerful message about their commitment to the environment and society. There's a growing understanding that while new regulation such as the EU's public CbCR Directive is mandatory, there's a great deal of voluntary scope for companies to proactively manage their taxpaying behaviour and the way it's communicated to stakeholders in the public domain. As we've noted before, each company's response will be individual and depend on its specific circumstances and aspirations. Moreover, the increase in the mandatory disclosure requirements shows a clear trend which indicates the likelihood that a fully-fledged tax transparency report will be mandatory sooner or later. Even the companies that decide to not publish such an extensive report yet need to start thinking about the topic by preparing a gap analysis showing their current as well as the potentially required future state and the steps to get there. To sum up, to a growing extent public tax transparency is no longer optional. It's merely a question of where companies want to position themselves on the scale from minimal to advanced disclosure.

"We suspect that this will turn out to be a pivotal year in terms of public tax transparency, primarily because the EU's public CbCR Directive takes effect and must be adopted in national legislation."



Appendix: Methodology

As mentioned, we analysed the disclosure levels of two samples of companies: 50 of the most noteworthy Swiss-based companies across ten different industries, as featured in previous Swiss benchmark studies; and the companies of the SMI Expanded, as featured in the DACH Tax Transparency Study.

For each of these two sets of companies, the disclosure levels for TSRCF, CbCR and TTC were assigned to the classes Minimal, Medium and Advanced. The analysis has been conducted in 2018, 2019, 2020, 2021 and 2022.

Defining the criteria

The first step was to define the criteria for the classes Minimal, Medium and Advanced in each of the categories TSRCF, CbCR and TTC.

Tax Strategy and Risk Control Framework (TSRCF)

Most companies publish tax strategy documentation (for example under the UK Finance Act 2016, Schedule 19, which requires certain companies to do so). Nevertheless, a TSRCF can be anything from a small section of the annual report entitled ‘tax strategy’ to an in-depth, multi-page breakdown of a company’s tax policy. We therefore have to be more specific about what we mean by the term TSRCF. We concluded that there are five elements a TSRCF has to include in order to fulfil its function as a tax affairs guideline:

- A description of the position/function the entity sees itself in with respect to global taxation
- A statement of willingness to comply with tax/legal/regulatory requirements
- A statement about the management of tax risks
- A statement about the approach to tax team management (leadership and governance)
- An idea of how the aforementioned should be achieved

We deem the transparency level of companies whose TSRCF includes all five of the abovementioned points to be Advanced. Companies that fail to do so but publish at least two of five elements are classified as Medium. Companies whose TSRCF leaves out more than three of the five elements – or that do not have a TSRCF published in the first place – are labelled Minimal.

Country-by-Country Reporting (CbCR)

While companies have to provide the tax authorities with certain information on the income taxes they have paid in different countries, currently there is no obligation to publicly disclose such information.

To be rated Advanced in terms of CbCR disclosure, a company needs to disclose information on total revenue, revenue from third parties, revenue from intra-group transactions, the number of employees, profit before tax, and corporate income tax paid per country. All this information has to be provided for each country, or at least each region, that the company performs business activity in.

Many companies choose to disclose only parts of their CbCR. If this includes either

- corporate income tax per country/region, or
- total revenue, revenue from third parties, revenue from intra-group transactions, number of employees and profit before tax per country/region,

these companies will be assigned to the Medium CbCR category.

Likewise, the Minimal category comprises any company that does not meet both aforementioned standards.

Total Tax Contribution (TTC)

To qualify for Advanced tax transparency in terms of TTC, a company must disclose the sum of worldwide group taxes:

- Split into borne and collected taxes, and
- Split according to an additional, relevant differentiation or with some additional information.

A possible additional, relevant differentiation might be a split of borne and collected taxes into corresponding sub-categories. Borne taxes, for example, could be split into direct taxes, irrecoverable VAT, and property taxes borne, whereas collected taxes could be dissected into payroll taxes, output VAT, etc. Other possibilities would be to split borne and collected taxes into different countries, regions, etc.

From there, we developed a standard for Medium TTC transparency, which requires that either the sum of worldwide group taxes

- paid/borne or
- collected be disclosed.

Any company that does not meet both of these standards will fall under the Minimal category.

Overall Public Tax Transparency level

The Overall Public Tax Transparency level is established in accordance with the three criteria described above.

To assess it, each attribute is assigned a numeric value depending on whether it is Minimal, Medium or Advanced. For each company, the mean of the three numeric values is calculated and rounded. Converting the rounded mean value back into the categories gives the company's Overall Public Tax Transparency level.

Minimal disclosure in any category will be assigned 0 points, Medium disclosure 1 point, and Advanced disclosure 2 points. The mean value resulting from the values for all three categories (adding up the three values and dividing the sum by 3) is then rounded to an integer. The resulting integer can then be translated back to an Overall Public Tax Transparency level on the 'Minimal/ Medium/Advanced' scale.

Let's assume, for example, that Example Ltd has Minimal TSRCF disclosure, Medium CbCR disclosure and Medium TTC disclosure. It scores 0 points for its Minimal TSRCF disclosure, 1 point for CbCR disclosure and 1 point for TTC disclosure, resulting in a total of 2 points.

The mean is 2 ÷ 3 = 0.67. As 0.67 is greater or equal to 0.5, this value is rounded up to 1, the nearest integer. A value of 1 corresponds to Medium, which is why Example Ltd has a Medium Overall Public Tax Transparency level.

Scope of research

The Public Tax Transparency Benchmark Study 2019 looked at companies' tax reports that related to FY2018 and tax strategies that related to FY2019 or earlier. The Public Tax Transparency Benchmark Study 2021 looked at reports from FY2020 and tax strategies that applied to FY2021. Analogously, the Public Tax Transparency Benchmark Study 2022 looks at reports from FY2021 and tax strategies that apply to FY2022. To check the availability of disclosures, we performed internet research for each criterion and each company.

However, in special cases (for example where a possibly relevant document was referenced on a different company resource but this link was invalid) we did not reach out to the respective companies directly. In cases where relevant disclosures for the 2021 census were not yet available, we tentatively assumed the results from the 2020 census.

Even though this method is no guarantee of finding every relevant piece of information, we found it to be more suitable than automated research. This is because transparency is ultimately about informing people, not computers. If only computers – and not people – are able to find a certain piece of information, then this information is, for transparency purposes, rather irrelevant.

Questions?

If you would like more information on public tax transparency or wish to discuss the topic, please contact:

Charalambos Antoniou
Tax Function Design and
Tax Transparency Leader
PwC Switzerland
+41 78 781 78 83
charalambos.antoniou@pwc.ch

Mario D. Rada
Corporate Tax
PwC Switzerland
+41 58 792 27 66
mario.rada@pwc.ch

Corina Wüest
Corporate Tax
PwC Switzerland
+41 58 792 42 58
corina.wueest@pwc.ch

PwC, Birchstrasse 160, 8050 Zurich, +41 58 792 44 00