

Disclosure 207-1

Approach to tax

Reporting requirements

The reporting organization shall report the following information:

a. A description of the approach to tax, including:

- i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;
- ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;
- iii. the approach to regulatory compliance;
- iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.

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Guidance

Background

An organization's approach to tax defines how the organization balances tax compliance with business activities and ethical, societal, and sustainable development-related expectations. It can include the organization's tax principles, its attitude to tax planning, the degree of risk the organization is willing to accept, and the organization's approach to engaging with tax authorities.

An organization's approach to tax is often described in a tax strategy, but it could also be described in equivalent documents, such as policies, standards, principles, or codes of conduct.

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The reporting organization can illustrate its approach to tax by providing examples drawn from its tax practices. For example, the organization can provide an overview of its use of tax havens, the types of tax incentive it uses, or its approach to transfer pricing. These examples help demonstrate the organization's risk appetite and the tax practices deemed acceptable and unacceptable by the organization and its highest governance body.

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If the organization has a tax strategy but the strategy is not publicly available, the organization can provide an abstract or summary of the strategy.

If the organization has a tax strategy that applies to a smaller number of entities or tax jurisdictions than reported in Disclosure 207-4, the organization may report this strategy and list the entities or tax jurisdictions to which the strategy applies.

In addition to the overall strategy, if the organization has tax strategies that apply to individual entities or tax jurisdictions, the organization can explain any relevant differences between these strategies.

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When describing its approach to regulatory compliance, the organization can describe any statements in its tax strategy or equivalent documents regarding its intention with respect to the tax laws in the jurisdictions in which it operates. For example, the organization can describe whether it seeks to comply with the letter and the spirit of the law. That is, whether the organization takes reasonable steps to determine and follow the intention of the legislature.²

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When describing how its approach to tax is linked to its business strategy, the organization can explain how its tax planning is aligned with its commercial activities. The description can include any relevant statements from its tax strategy or equivalent documents.

When describing how its approach to tax is linked to its sustainable development strategy, the organization can explain the following:

- Whether it considered the economic and social impacts of its approach to tax when developing its tax strategy.
- Any organizational commitments to sustainable development in the jurisdictions in which it operates and whether its approach to tax is aligned with these commitments.

² Organisation for Economic Co-operation and Development (OECD), 'Taxation', *OECD Guidelines for Multinational Enterprises*, pp. 60-63, 2011.