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## guest column:

### time for tax avoidance to become a CSR issue

*We all have a moral duty to contribute to society by paying taxes, so why do we tolerate companies that don't pull their weight, asks John Christensen*

Paying taxes is one of the fundamental ways in which business engages with broader society, and corporate citizens, just as much as private ones, have a moral duty to pay their way. It is therefore curious that the debate about CSR, which has touched on virtually every other area of corporate engagement with society, has scarcely begun to question companies about their tax minimization strategies, which are based on elaborate and frequently aggressive tax avoidance.

The only notable exception has been Henderson Global Investors, which recently wrote to the FTSE 350 asking how, in the context of risk management, each company makes its decisions on taxation and its policy on tax avoidance. Elsewhere, the silence is deafening.

Judging from my informal studies of statements published by multinational corporations, company directors do not regard tax payment as a part of the CSR or corporate governance agendas. Most multinational businesses are structured to enable tax avoidance in every jurisdiction in which they operate. Yet the CSR agenda is driven by demand for an ethical approach to doing business. It is not possible to be ethical in one area of business conduct and to act otherwise in another. Companies that operate in this way reveal a major disconnect in their core values.

Tax avoidance has become a problem for governments, particularly those of developing countries. Policy measures are required to redress the distortions that have arisen as globalizing companies have left nationally-based tax regimes floundering. Furthermore, the corporate citizenship debate needs to address the issue of how company directors should act on tax avoidance – an issue highlighted by Henderson.

The current situation has not kept pace with the debate on corporate citizenship and should make way for a General Anti-avoidance Rule to guide directors in understanding their legal duties on the payment of tax. Multinational companies should adopt clear CSR standards in the area of taxation, including requirements to publish all necessary accounting information and to refrain from the use of off-balance-sheet vehicles with no substantial economic purpose. CSR reports should list the countries in which the company trades, how much profit derives from activities in each, and where these profits are booked for tax purposes, indicating any special purpose vehicles used and the extent of avoidance arising from the use of novel tax planning ideas. Some of this information is already in the annual report, but including it in non-financial reports would help stakeholders to determine whether a company is indeed a good corporate citizen.

John Christensen is international co-ordinator of the Tax Justice Network

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