

The ACCA logo is a red square with the letters 'ACCA' in white, bold, sans-serif font.

**ACCA**

Think Ahead



# **GLOBAL POLICY ON TAXATION OF COMPANIES: PRINCIPLES AND PRACTICES**

# About ACCA

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500** members and **526,000** future members in **180** countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgement to create, protect and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at **[accaglobal.com](https://accaglobal.com)**



# Introduction

**In 2014, ACCA first published its regulatory and policy positions on the taxation of companies. To provide context, the document included a discussion of recent developments in the regulatory environment and some of the broader factors shaping the public debate on taxing businesses.**

Ten years on, perceptions of the role of business in society have shifted, as have the priorities of governments and taxpayers around the world. The dominance of multinational enterprises is reliant on legal systems that recognise businesses as legal entities in their own right, but the pre-eminence of abstract financial measures as the primary metric of the success or failure of those businesses has introduced incentives that can drive objectively undesirable behaviours.

Creating the legal fiction of the company has allowed use of investors' capital without a need for other direct engagement, opening up opportunities for achievements and returns that would otherwise be unattainable. The flipside of that freedom to act is that decision makers can be alienated from the impacts of their decisions, separated by time or geography from the real-world implications of their actions.



Paying taxes has been described as ‘the price we pay for a civilised society’ – something with which few people would disagree. But while that formulation works for individuals, it is harder to apply to corporate bodies. As humans we can easily accept that we are a part of society, and our relations with other people will be based on a wide range of assumptions, emotions and self-imposed rules. Nonetheless, to the extent that businesses have their own legal personality, their behaviours are driven not by internally generated ethical standards but by artificial extrinsic legal rules.

Those artificial rules may depart from the expectations of the individuals who make up society, so there is a risk that over time the behaviour of businesses will drift away from what individuals might expect – and decisions may be taken that meet the legal requirements for the business but do not coincide with the expectations of society.

Taxation is by no means the only area where business decision makers might face pressure to make choices that conflict with the long-term goals of the wider population. If it is more profitable to use polluting manufacturing processes than cleaner ones, the company might choose the former, in the financial interests of shareholders, who may live in a different country from the factory. While ‘right’ for the company, viewed in isolation, this is not right for people living downstream from the pollution.

Taxes do, however, present some unique challenges to the business decision maker. Paying taxes reduces the funds available to investors without any corresponding direct benefit to the business, unlike the costs of stock or wages, or even the direct regulatory costs that confer on the business its right to conduct its affairs in the chosen form.

**THERE IS A RISK THAT OVER TIME THE BEHAVIOUR OF BUSINESSES WILL DRIFT AWAY FROM WHAT INDIVIDUALS MIGHT EXPECT – AND DECISIONS MAY BE TAKEN THAT MEET THE LEGAL REQUIREMENTS FOR THE BUSINESS BUT DO NOT COINCIDE WITH THE EXPECTATIONS OF SOCIETY.**

Until recently there seemed to be little public interest in how businesses conducted their tax affairs (or alternatively, there was resignation to the fact that they would try to minimise their taxes).

Following the Global Financial Crisis (2007–8), there has been a far greater level of scrutiny of business approaches to tax, and a corresponding shift in the approach of regulators (although it is worth noting that more people attach a higher level of concern to the excess income taxes paid by lower-income individuals than they do to low levels of taxes paid by large businesses and multinationals<sup>1</sup>). Many businesses now sign up to voluntary codes of conduct for their tax affairs, and many tax authorities require businesses to publish formal statements on their approach to taxes and tax planning.

This year has also seen the publication of the first global code for accountants offering tax advice, the IESBA’s Tax Planning Standards<sup>2</sup>. Much of the guidance reflects the messages in the policy statement below, and even goes beyond them, for example, requiring advisers to advise clients specifically not to proceed with tax planning for which there is no credible basis in laws and regulations.

Within this policy statement, ACCA can explore matters outside guidance for accountants in practice, and address the implications for policymakers and regulators. Initiatives such as the OECD’s Base Erosion and Profit Shifting (BEPS) programme<sup>3</sup> were still nascent and agreements such as BEPS’ Pillar One and Pillar Two initiatives<sup>4</sup> or a United Nations Tax Convention<sup>5</sup> would have been viewed by many as wholly speculative when the positions outlined below were first drafted. The political and practical challenges faced by those trying to implement them remain as great as ever.

As digitalisation changes both what businesses do and how they do it, as well as what governments can tax and how they do so, policymakers and regulators should keep in mind the principles set out here, even where specific recommendations are already well under way. But as the challenges governments face develop, and the difficulty of funding the responses to them seems to increase, we would urge decision makers to be even more creative, looking to tax not simply as a way of funding resolution of problems, but even as a way of preventing their occurrence. Cutting pollution and environmental damage can increase the health of populations, improving productivity and reducing the need to spend on healthcare. Encouraging stable employment will, over time, offer benefits for family formation and household stability. A tax policy for the future should aim to promote tax as a force for good, and ACCA is keen to engage with all relevant stakeholders to help make that a reality.

**A TAX POLICY FOR THE FUTURE SHOULD AIM TO PROMOTE TAX AS A FORCE FOR GOOD, AND ACCA IS KEEN TO ENGAGE WITH ALL RELEVANT STAKEHOLDERS TO HELP MAKE THAT A REALITY.**

1 ACCA, *Public Trust in Tax: Building Trust in Tax for a Sustainable Future 2023*.

2 International Ethics Standards Board for Accountants (IESBA), *Final Pronouncement – Revisions to the Code Addressing Tax Planning and Related Services*, 2024.

3 Organization for Economic Co-operation and Development (OECD), *Declaration on Base Erosion and Profit Shifting*, 2013.

4 Tax Policy Center, *Briefing Book: Key Elements of the US Tax System*, 2024.

5 Ellmers, B., *‘United Nations begins Negotiations on International Tax Cooperation’*, 2023.

## ACCA's regulatory position

**As regards principles, the area of tax advice does not present any unique issues of ethical conduct for the professional accountant.**

Professional accountants, whether they work in business, the public sector or public practice, are obliged to act in the interests of their employers or clients, as the case may be, and in accordance with the wishes and instructions of those parties, as long as what they do is consistent with or at least not in conflict with the law and the standard provisions of ethical guidance, which in the case of ACCA members is the Code of Ethics and Conduct (the Code), which is based upon and fully aligned with the work of the International Ethics Standards Board for Accountants (IESBA). Members, whatever their role in practice, industry or the public sector, should note that the Code remains the reference point for guidance, and this paper does not supersede or replace it.

When providing tax advice, ACCA accountants are expected to observe the various requirements of the Code, together with other relevant regulatory guidance, in relation to situations such as the determination of independence and the disclosure of client information to third parties. Their obligation to do this is no different from the obligation they have in relation to other areas of professional activity and, in the course of determining whether any individual member has failed to act in accordance with the standards expected of them, ACCA will take into account their compliance with all applicable legal, ethical and technical guidance, including the Code. Where circumstances justify the development of more focused guidance, so as to elaborate on the application of the standard ethical principles to specific areas

of professional activity, ACCA supports the development of such additional guidance. With this in mind, ACCA has already issued a dedicated guidance statement, prepared in conjunction with a number of other UK-based professional bodies, on how to apply the ethical principles in the area of tax advice: Professional Conduct in Relation to Tax.

In addition to demanding that members comply with all applicable legal and ethical rules, the standard of competence expected of members under the Code of Ethics demands that members advise their employer or client not only about what their obligations are under the law but also about any opportunities that may exist under that same law to minimise their liability to pay tax. In the tax context, it is particularly relevant, however, to stress that accountants will be expected to advise on the sometimes fluid dividing line between what constitutes 'tax planning' (ie benefiting from tax reliefs for the purposes for which they were intended), what is regarded as 'evasion' (ie criminal activity), and the grey area in between which is characterised as 'avoidance' (ie minimising tax liabilities in ways that are not illegal but may be considered ethically questionable). Professional accountants will be expected to know where that dividing line occurs and advise their clients accordingly. The advice on tax planning should also take into account the potential consequences for the public reputation and standing of the taxpayer of adopting an overly 'aggressive' approach to the minimisation of its tax liability.



## ACCA policy – working to improve tax systems

**Given all the issues set out above, and the complexity they generate, ACCA's policy position on tax takes into account the competing factors and enables it to contribute to debates on the basis of a sound and considered analysis.**

Considering the inevitable range of opinions surrounding such a broad and emotive area, ACCA consulted with a range of external bodies, including key employers, professional bodies and policy experts, as well as the Global Forum for Taxation and [now superseded] Market Oversight Committee. A review has also been undertaken of statements on approaches to tax disclosure made by a range of companies.

ACCA's agreed policy positions are set out below. They are presented in relation to a number of stakeholders, together with the implications for each group.







### For the company/corporate decision maker

- ACCA believes companies should not, in principle, pursue aggressive tax avoidance (by which is meant completely artificial arrangements that have no clear purpose other than to avoid tax by complicated schemes).
- Companies have a commercial imperative, but ACCA believes that they also have a wider responsibility to be good corporate citizens. Companies need to consider the wider impacts of their tax policies and recognise that some approaches to tax will be seen by some people as unethical even if they are legal.
- ACCA believes greater transparency (which may, but should not necessarily, include more public disclosure) on tax treatment and how decisions on tax are made would benefit companies' reputations and help a wider range of stakeholders to understand the issues and complexity and how these affect the organisation – this is consistent with the general direction of integrated reporting.
- Tax cannot be seen in complete isolation from companies' business models and overall strategy and plans. It is one part of the overall long-term value-creation process, which includes employment created, investment in research and development, the wider social and environmental benefits and impacts in regions where the company operates, and the value offered to consumers. This will be true for all companies but especially so for SMEs and start-ups.



### For the professional accountant – as adviser or employee

- Professional accountants have a duty to advise their clients and employers on all options for maximising profits and prospects – this duty invariably recognises that taxpayers have no obligation to pay tax beyond the requirements of the law.
- Accountants also have a clear duty to advise on the risks and the ethical dimension, including technical and reputational issues, associated with all available options. Not to do so could lead to the possibility of committing professional misconduct.
- ACCA recognises that tax is a cost to the business, which needs to be managed effectively, alongside other business drivers, for success and profitability. Its tax liability will affect the profitability of any business, and its ability to create sustainable value for its shareholders. Professional expertise is essential to ensure that tax decisions form part of the overall financial management of the organisation.





## For the policymaker

- Tax laws in many jurisdictions were constructed for a different era of business. ACCA calls for clearer and simpler tax laws reducing uncertainty. Laws need to reflect the ethical framework society wishes to have.

Policymakers need to recognise they cannot just point the finger at business – they need to ensure that the laws themselves are fit for purpose, especially in relation to international and digital business models, including those reliant on increasingly intangible value drivers (ethical business cannot be encouraged if rules are dysfunctional). Taxpayers' rights must be recognised and a balance of interests preserved.

In light of this, ACCA suggests that a different approach may be required for the taxation of companies – including considering whether corporate tax itself is workable at all in the new global environment, and therefore whether other forms of taxation of corporates need to be developed.

- Coordinated international action is appropriate to address matters that cannot be resolved by individual jurisdictions, such as transfer pricing and a level playing field to disclosure. Such matters are currently being pursued via G20 and OECD discussions.



## For the profession

- ACCA believes that IESBA should keep under review its standards to consider ethical issues around tax avoidance and, if necessary, clarify its guidance and standards.
- Bodies such as the International Federation of Accountants (IFAC) and other representative bodies of the accountancy profession should continue to engage in the public debate and acknowledge the role of the profession in responsible behaviours and practices.
- ACCA commends the guidance developed by a number of professional bodies in the UK, to which it has contributed and which was produced in conjunction with and endorsed by HMRC, setting out an approach to good practice. This is the document Professional Conduct in Relation to Tax previously mentioned.





# Conclusion

**Taxation has become an increasingly complex and public area in which debate significantly affects the global accountancy profession.**

There are many drivers for this, including economic conditions and a squeezed public purse in many countries. At the heart of the issue, however, is whether tax laws, especially for corporates, reflect the new business models of the 2020s (and beyond) and consumers' wider ethical expectations.

Policymakers can be too quick to see accountants as part of the problem, but the profession is and should be part of the solution. Professional accountants should work with policymakers to develop approaches that work for business and allow companies to be competitive and profitable, while also meeting wider considerations of social responsibility.



