Draft Principles for Corporate Responsibility on Tax

This is a draft for a set of principles for good tax governance for companies. The competitiveness of a company and the health of the communities around it are mutually dependent and therefore the goal should be to create long-term economic value not only for the company, but also for the surrounding society.

These principles are meant as a guide that can help companies behave socially responsible in the complex area of tax payments. The aim is to further discuss and develop the principles in order to develop a set of principles, which can be incorporated into standards and regulations for corporate responsibility.

1. Substance

Companies' tax payments should reflect the location of business activities: Taxes should be paid and reflect where the companies' business activities takes place.

2. Structure

A company should not misuse tax havens or opaque company structures for tax benefits: Subsidiaries in tax havens or secrecy jurisdictions should not be used to obtain tax benefits or other economic advantages. A company's structure and beneficial owners should be disclosed to the public.

3. Power

A company should not use its superior bargaining power to obtain unfair and excessive tax benefits when negotiating contracts with a host country: Contracts between a company and a host country should be balanced and fair for both parties and excessive tax exemptions and tax holidays should be avoided. Voluntary tax payments should not be used as leverage to gain advantages in other areas.

4. Transparency

A company should be transparent about its tax policy: Understandable, timely and transparent communication about a company's tax policy and tax payments should be put forward regularly.

5. Accountability

Companies should at all times comply with the national laws of the jurisdictions in which they operate: Compliance means respecting not only the letter of the law, but also the spirit of the law. Where states have weak or poorly constructed fiscal regulation and/or institutions this should not be used to gain tax advantages that were not intended by the law.

6. Financial reporting

A company should disclose its financial reporting for all countries in which it has a permanent establishment: Details of tax payments, profits, turnover, intra-company financing and trading, number of employees and other relevant data should be disclosed regularly.

7. Governance

A company's board is responsible for the company's tax strategy and should therefore take an active role in developing the strategy: A company's tax strategy is essential to the company's soundness and shall reflect the values and ethics of the company, and is therefore of great interest to the shareholders, whom the board is accountable to.