



Session code:  
1509

# ESG TAX Putting the T in ESG

2023 KPMG Africa Tax Summit  
Tax amid disruption and uncertainties

Cape Town, South Africa

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# Polling question slide

Q: What role does tax play in your Organisations ESG strategy?



We do not have an ESG Strategy



Tax has no involvement



We have a Tax policy in place



Tax personnel is taking initiative



Our tax personnel understands and is aligned with our ESG strategy

# Polling question slide

Q: Does Tax get invited to ESG discussions at your organisation?



Yes, All the time



Yes, Often



Yes,  
Somentimes



Yes, Hardly ever



Never

# Today's presenters



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# ESG & Tax - Why?

## Environmental



## Social



## Governance



“ *History suggests tax policy is one of the most effective tools available to governments to change economic patterns and social behaviors.* ”

Strategic Corporates Outside In newsletter, January 2022

**75%** of CEOs believe that the pressure put on public finances by the pandemic response has increased the urgency for multilateral cooperation on the global tax system.

KPMG 2021 CEO Outlook

**69%** of CEOs are feeling increased pressure to report their tax contributions publicly as part of their broader ESG commitments as businesses aim to build back better.

KPMG 2021 CEO Outlook

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Tax practices and governance are slowly becoming critical ESG measures.

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# Polling question slide

Q: Which Pillar is the easiest to impact on the African continent from a Tax Perspective?



Environmental



Social



Governance



All of them



None of them

# Polling question slide

Q: Which Pillar is the hardest to impact on the African continent from a Tax Perspective?



Environmental



Social



Governance



All of them



None of them



# ESG – Why posing the right questions ....

## Environmental



- How green are your People policies?
- Do you have a company car fleet? Have you considered the tax benefits of switching to electric/ hybrid?
- How are you ensuring the environment credentials of third party suppliers?
- Have you assessed how your business may be impacted by environmental taxes such as the Carbon Tax?
- Are you using available incentives and paying the right green taxes?

## Social



- How much tax does the company pay and how transparent is it?
- Do you currently pay the National Living Wage and report on your company's Gender / Ethnicity Pay Gap?
- Are employee remuneration packages designed to be ESG friendly?
- How are your relationships with tax authorities strong and centred on building trust?
- Are you aware of all of the social investment tax credits may be available?

## Governance



- Have you considered how strong tax governance and risk management can provide a foundation for ESG tax metrics?
- Do you have specific ESG metrics that feed into the team's wider tax and/or legal strategy?
- Who is accountable for how tax is managed and how do they monitor tax governance in the business?
- Are you reporting your taxes correctly?
- How transparent are you about your taxes paid and general approach to tax?

# ESG – Why should tax be involved?

## Reduces Cost of ESG Strategy



- Maximizing Incentives to reduce cost of operations
- Utilising tax mechanisms to assist with improving other levers (i.e. BEE etc)

## Increases Cost of ESG Strategy



- Tax mechanisms that are “penalty” sections i.e. Carbon Tax, Sugar Tax etc

## Responsible Tax



- Tax Morality
- Internal and External Tax Reporting – including Impact Reporting

# ESG – Examples in the SA Context



## Environmental Taxes - European Union Green Deal

- The European Union (EU) Green Deal (EGD) which seeks to get the EU to a net zero emission status by 2050.
- Policies enacted in one jurisdiction may have significant impact on businesses in another jurisdiction.
- Africa is an important trading block for the EU with our natural resources providing significant input for industries in the EU.



# Social Contribution – Tax Impact Reporting

- A Sustainable business is one which is committed to the communities in which it operates. There is no better way to demonstrate that commitment than in paying the right amount of taxes.
- Companies have an obligation to communicate that contribution to society. Every company which seeks to build a sustainable social relationship with its community ought to consider the publication of a tax transparency and impact report annually.



- Furthermore, governments often use tax incentives to help tackle social problems such as unemployment, poverty etc.





## Governance Structure

- It is impossible to pay the right amount of taxes without having in place the proper governance framework.
- It is a failing in the overall governance structure that would lead to far reaching changes taking place in the supply chain structure without consideration of the tax impact.
- It is therefore imperative that every Governance structure in place must have a tax component which ensures that responsible tax considerations are an integral part of decision making across the Organisation..



# Polling question slide

**Q: How do you think the adoption of a tax governance framework which makes tax an integral part of decision making in any organisation benefit the organisation??**



**Word cloud**

# Polling question slide

**Q: What are the benefits do you think can be derived from having a comprehensive tax transparency and impact report in the various countries in which you operate?**



**Word cloud**

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