Moving beyond compliance

Responsible corporate taxation in Denmark 2014-2020

OXFAM IBIS

Impactus

EXECUTIVE SUMMARY

Corporate taxation is increasingly being recognised as central to companies' corporate responsibility. As the world stands amid an emerging economic crisis, which is bound to put pressure on public coffers, this recognition is not set to subside in the foreseeable future. This report takes stock of the work of the private sector in Denmark with responsible corporate taxation. It builds on a series of interviews and surveys of some of the largest Danish corporations, institutional investors and civil society organisations working on responsible taxation. The report finds that both companies and investors have expanded their work on responsible corporate taxation markedly since 2014. Progress can especially be observed in the increasing use by the private sector of formal tax policies that codify their approach to responsible corporate taxation. More uneven progress can be observed in relation to tax transparency and to the private sector's approach to taxation in developing countries. Challenges to further progress as seen from the private sector are presented. The report concludes that there is a pressing need to move further towards responsible corporate taxation practices for the private sector as no amount of legislation will be able to fully remove the grey areas and loopholes of the international corporate tax system.

This paper was written by Camilla Winther Kragelund of Impactus (**https://impactus.dk/**) on behalf of Oxfam IBIS (**https://oxfamibis.dk/**). Contributions to the report were received from Amanda Husum Bitsch, Christian Hallum and the volunteers of Oxfam IBIS' 'Gravergruppe'. Acknowledgement also goes to Susana Ruiz Rodriguez and Lies Craeynest who provided advice and input. Oxfam IBIS wishes to thank for the many valuable insights received from the respondents who volunteered their time to be interviewed and surveyed as part of the research for the report.

For further information on the issues raised in this paper please email **cha@oxfamibis.dk**. For further information on Oxfam IBIS' Tax Dialogue project please visit **https://thetaxdialogue.org/** and **https://oxfamibis.dk/det-goer-vi/tax-dialogue-corporate-responsibility/**.

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1. Introduction

"A company serves society at large through its activities, supports the communities in which it works, and pays its fair share of taxes"

DAVOS MANIFESTO 2020, WORLD ECONOMIC FORUM

When 3,000 global leaders in politics and business met in Davos in January 2020, the role of business in addressing global challenges was at the top of the agenda.

The recognition from Davos that corporate tax is central to companies' corporate responsibility comes amidst an unprecedented focus on the shortcomings in the international system for taxing multinational companies. Periodic leaks to the media – such as the Panama Papers, Paradise Papers and Lux Leaks – have exposed the corrosive effects of tax havens on public finances. Pressure from consumer groups is fuelling an increase in political involvement in corporate taxation, while the global challenges of rising inequality, the climate crisis and societal divisions add further to the call for action.

The unprecedented challenges brought about by Covid-19 are likely to add to this pressure. In a joint article, leaders from the OECD, UN, IMF and World Bank point out that, in the context of the virus, 'aggressive tax minimization by large taxpayers – however legal it may appear – will become even more intolerable to society at large'.[1] Nowhere is the need for action clearer than in developing countries, where the realization of the ambitious Sustainable Development Goals (SDGs) is critically underfunded.

Within the private sector there has also been a growing acknowledgement that the sector itself can play an important and constructive role by adopting principles of responsible corporate taxation. Other stakeholders, including civil society organizations, have developed initiatives to support companies and investors that wish to become more responsible on corporate tax.

In a Danish context, Oxfam IBIS has initiated and led the Tax Dialogue project since 2014, engaging influential Danish corporations and investors in a collective effort to raise the bar on responsible taxation. Through 17 national roundtables involving civil society, institutional investors, companies, tax advisors and business associations, and six international conferences, the Tax Dialogue has built understanding of how corporations and investors can implement responsible tax policies, sharing examples of good practices and discussing challenges.

At the end of 2019 – after five years of leading the Tax Dialogue project – Oxfam IBIS commissioned this research report to take stock of the responsible taxation agenda among investors and corporations in Denmark. The report builds on survey responses from 28 participants in the Tax Dialogue, including some of Denmark's biggest companies and institutional investors (mainly pension funds). In addition, in-depth interviews were conducted with representatives from 14 companies, institutional investors, advisory firms, business associations and NGOs.

Section 2 of this report provides an overview of how the responsible corporate taxation context has evolved in recent years, Section 3 of this report offers insights from the Tax Dialogue participants surveyed and the interviews. Section 4 presents concluding remarks.

[1] *OECD, IMF, UN, World Bank (2020).*

WHAT DO WE MEAN BY RESPONSIBLE TAXATION?
As defined by a discussion paper by three civil society organizations,[2] a tax-responsible company:

- Is radically and proactively transparent about its business structure, operations, tax affairs and tax decision-making;
- Assesses and publicly reports the fiscal, economic and social impacts (positive and negative) of its tax-related decisions and practices in a manner that is accessible and comprehensive;
- Takes steps – progressively, measurably and in dialogue with its stakeholders – to improve the impact of its tax behaviour on sustainable development and the human rights of employees, customers and citizens in the places where it does business.

2. Responsible taxation – an evolving context

This section zooms in on the responsible taxation agenda and how it has evolved in recent years, both internationally and in a Danish context.

2.1. Development agendas, public mistrust and political will

Attention for global challenges such as deep-rooted inequalities, the climate crisis and societal divisions has never been higher. Growth is increasingly seen as an overly simplistic parameter for progress, with sustainability now being viewed as an indispensable companion. The SDGs are at the epicentre of the global agenda for inclusive and sustainable development, and there is increasing focus on how the ambitious goals can be financed.

Multiple studies show that ***governments lose hundreds of billions of dollars in tax revenue every year.*** The OECD estimates that countries lose 4-10% of their corporate income tax revenue annually to aggressive tax avoidance[3] - money that could be spent to provide critically needed services in areas such as education and health. This gap in tax revenue mobilization is made possible by lack of consistency in tax regimes between countries and tax avoidance schemes that optimize the use of low-tax jurisdictions. According to the IMF, the revenue losses from profit shifting are even more pronounced for developing countries, where the need for public services is the greatest.[4] It is against this backdrop that ***corporate taxation is drawing attention from a global development perspective.***

Corporate taxation is also coming under scrutiny due to ***an increasingly mistrustful public.*** Exacerbated by the financial crisis in 2007-08 and a growing mistrust in leadership in general, many consumers have lost confidence in the motives of businesses. They try to use social media to hold companies or industries accountable: such consumer activism has become a ***significant reputational risk*** for corporations, as it can fuel negative public perceptions of a company or their brand. Specifically for corporate taxation, mistrust among the general public is fed also by revelations in ***leaked documentation showing corporations and investors to be part of aggressive tax planning schemes.*** Previously corporate taxation matters at a global scale were often considered too technical for mainstream media, but the leaks were extensively covered by the media and remain publicly known by their colloquial names, e.g. LuxLeaks (2014), Panama Papers (2016) and Paradise Papers (2017).

[2]Forstater & Christensen (2017), p. 3. [3]B-Team (2018). [4]GRI (2020).

Corporate income tax payment has featured ***high on the political agenda*** in recent years. At the international level, the most prominent initiative is the OECD's Base Erosion and Profit Shifting (BEPS) project, which aims to reduce multinational corporations' possibilities to aggressively avoid taxation. Part of BEPS, also implemented in EU legislation, is a requirement for country-by-country (CbC) reporting by multinational corporations to increase transparency. CbC reporting entails multinational enterprises providing information to tax authorities including the amount of revenue, profit before income tax, income tax paid and number of employees for every tax jurisdiction in which it operates. This was followed by the European Union's Anti-Tax Avoidance Package in 2016, under which all member states are required to apply anti-abuse measures against common forms of aggressive tax planning. Currently, more than 130 countries are discussing further actions to shore up corporate tax revenue through the OECD-led BEPS 2.0 process. Proposals being discussed include new ways to tax multinational companies, division of taxing rights, and some form of minimum effective global corporate tax rate.

All these developments – alongside the private sector's own recognition that tax is central to their social responsibility, and not just a technical matter – amount to an unprecedented rise in public and political involvement in the topic since the 2000s. As the OECD's tax chief Pascal Saint-Amans puts it, 'we have moved from tax being just a tax geek thing to tax being a political item'.[5]

2.2. Growing recognition of responsible taxation

Sustainability and responsibility agendas are gaining traction within many corporations. Driven by both a desire to develop sustainable business models and products and the need to adapt to the changing risk landscape, notably reputational risk, corporations – and especially large ***corporations – are increasingly conscious of their broader responsibilities in society.*** The same is true for institutional investors. A growing number of voluntary responsible tax standards have emerged in recent years for investors and companies.[8]

In Denmark, too, the responsible corporate taxation agenda has gained traction in recent years.

Media attention around the topic is one way to illustrate the increasing focus: a search across all written media in Denmark shows that no articles contained the term "responsible taxation" from 2010 to 2013. From 2014, however, it has increasingly been mentioned – e.g. 10 times in 2016, 18 times in 2018 and 26 times in 2019. The upwards trend seems set to continue, as the first half of 2020 has already seen as many articles that references repsonsible taxation as the whole of 2018 (see figure 1).

VOLUNTARY RESPONSIBLE CORPORATE TAX STANDARDS

B-team's responsible tax principles: the B-team is a global organization founded by business leaders with the aim of redefining business in a more accountable and sustainable manner. It has developed guidance tools in multiple governance areas, including corporate taxation.[6]

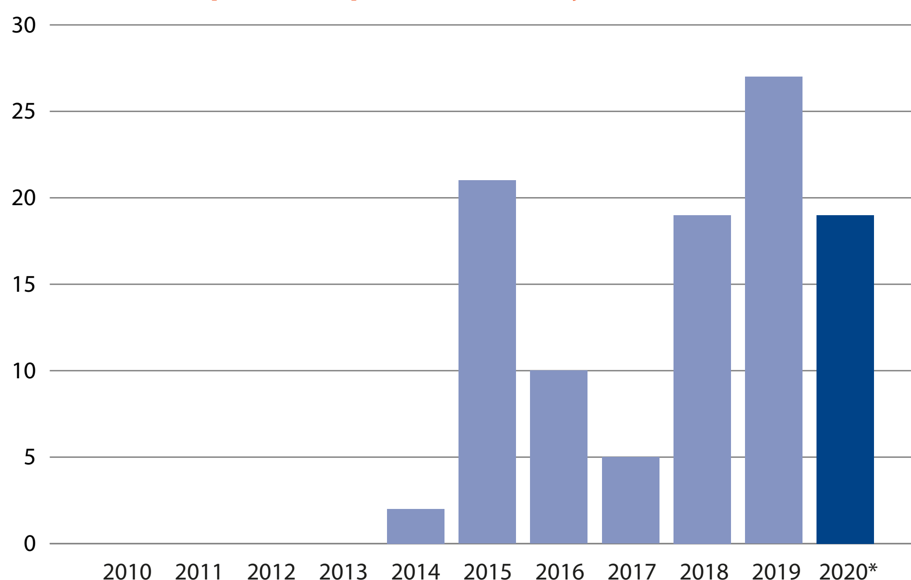
The Global Reporting Initiative (GRI): in December 2019, GRI released a new reporting standard for corporate taxes – the Tax and Payments to Governments Standard.[7] As the largest sustainability standard setter, the GRI hopes to harmonize responsible tax reporting approaches. The GRI's standard notably includes a requirement for reporting organizations to publish a CbC breakdown of key financial information, including their tax payments, profits and employees.

Principles for Responsible Investment (PRI): PRI published engagement guidance for investors on responsible corporate tax in 2015 and has since added several publications on how investors can use their influence to promote tax transparency and responsible tax practices among companies they invest in. PRI has also managed a collaborative project since 2017 between 36 institutional investors to promote tax responsibility in the healthcare and technology sectors.

[5] *Forstater & Christensen (2017), p. 3.* [6] *B-Team (2018).* [7] *GRI (2020).* [8] *PRI (2020).*

The Committee for Corporate Governance[9] (Komiteen for God Selskabsledelse) suggested the use of a tax policy as early as 2014 as part of its Recommendations for Corporate Governance, which aim to inspire and provide standards for strong corporate governance beyond those already in legislation or regulations, e.g. stock exchange regulations. A recent study showed that 80% of Danish companies listed in the OMX C-25 index have a tax policy.[10]

Figure 1. Danish media articles that include the phrase ‘responsible taxation’, 2010-2020



Source: Infomedia search using the phrase ‘ansvarlig skat’ (‘responsible taxation’) across all Danish media platforms.
** The figure for 2020 covers only from January 1 until June 16 2020.*

[9]The Committee for Corporate Governance is tasked with developing best practice guidelines for management of publicly traded companies in Denmark, including NASDAQ OMX Copenhagen. Committee members are appointed by the Danish Business Authority. In the draft revised guidelines published by the Committee in June 2020 (not yet approved by the time of publication), the recommendation on having a tax policy is set to be further strengthened by requiring all listed companies to henceforth comply or explain with this recommendation. [10]Koerver Schmidt (2020).

3. Perspectives on responsible taxation from Tax Dialogue participants

This section presents operational perspectives from companies and investors that purposefully work with responsible taxation in Denmark. It builds on research among Tax Dialogue participants in a three-step process (see Annexes 2 and 3 for further details):

- ***Survey of companies and investors:*** to gain a broad overview of the use of tax policies and transparency measures, the survey was sent to 40 companies and investors which have had some contact with the Tax Dialogue project – some as frequent participants, others having participated only once. A total of 28 responded: 15 companies and 13 investors.
- ***Interviews with key stakeholders:*** to deepen insights into survey findings, specifically on the internal processes around tax policy and planning, 14 interviews were conducted, primarily with corporations and investors but also with subject matter experts from academia, trade organizations and civil society.
- ***Validation of findings during a Tax Dialogue roundtable:*** the findings from the survey and interviews were presented, discussed and validated at the Tax Dialogue roundtable on 27 February 2020.

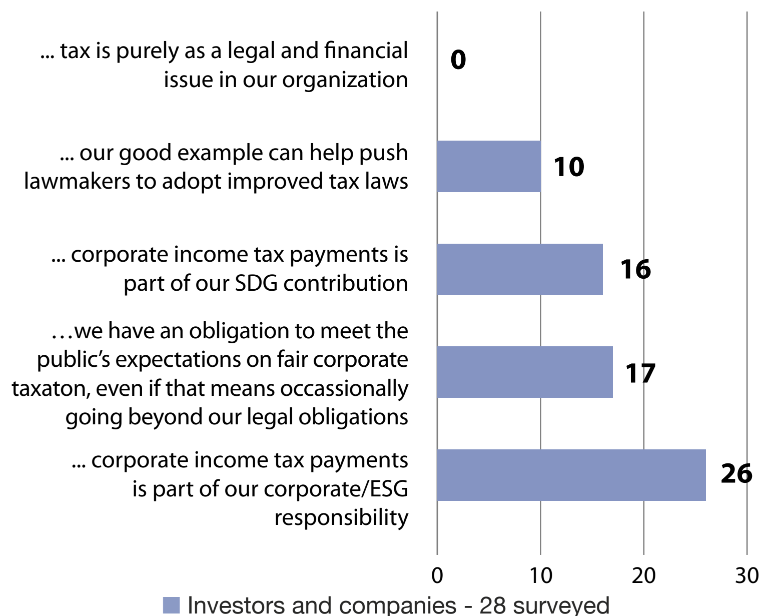
The survey had two key limitations. First, the small sample size and low number of respondents mean the results are not statistically significant and should therefore be interpreted with caution. Second, the respondents are not representative of companies and investors in general: all had previously been in contact with the Tax Dialogue project, which suggests they already had an interest in responsible taxation.

3.1. Corporation taxation: more than compliance

The corporations and investors surveyed show nuanced attitudes to corporate taxation – ***attitudes that go well beyond taxation seen purely as a legal and financial issue in business.*** Above all, 26 of 28 survey participants view corporate income tax payments as part of their corporate responsibility. Additionally, 17 of 28 – corresponding to 61% – believe they have an obligation to meet the public's expectations on fair corporate taxation, even if that means occasionally going beyond their legal obligations. Many see their tax payments, or those of their investees, as part of their contribution to the SDGs. Some see a role for themselves in setting a good example on responsible corporate tax practices that can help push lawmakers to adopt improved tax laws and foster more responsible corporate tax practices. Overall, the corporations and investors demonstrate a wide perspective on corporate taxation that goes well beyond narrow compliance with legislative requirements (see Figure 2).

Interestingly, many also highlight how the use of tax expertise is changing within corporations and investors. Senior tax experts in companies have seen their role change towards being increasingly involved in business decisions and with wide internal and external networks. Some investors have in recent years recruited in-house tax experts while others have increased use of external advisors, reflecting their increasing use of and need for tax expertise.

Figure 2. Attitudes to corporation taxation



Survey among 28 Tax Dialogue participants (13 investors and 15 companies)

'In the past, tax experts tended to sit in a remote corner of the finance department, waiting to be asked questions. Now we are involved in business decisions.'

KARL BERLIN, VICE PRESIDENT TAX, ØRSTED

'We make tax compliance reports from external tax advisors public. This transparency is important to break myths.'

NICOLAI BOSERUP,
SENIOR VICE PRESIDENT, IFU

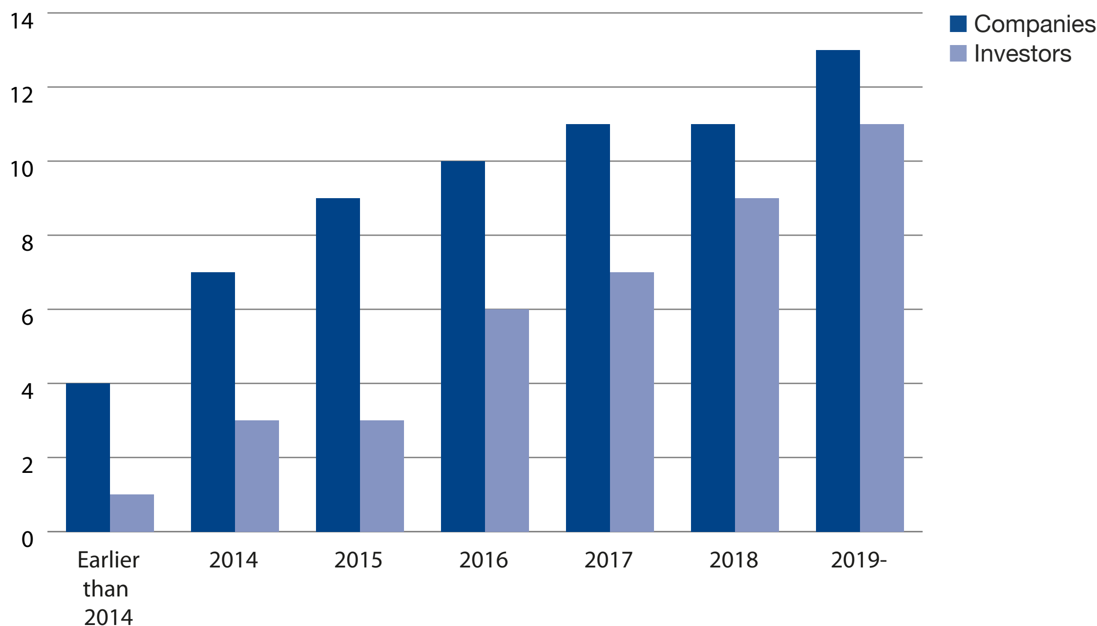
3.2. Tax policy – for direction and action

3.2.1. Tax policy: a tool for direction

Formal policies on responsible taxation are increasingly prevalent among investors and corporations. At present, 13 of the 15 companies surveyed and 11 of the 13 investors have a formal tax policy. This is a distinct increase from 2013, when only four and one respectively had such a policy (see Figure 3).

The move towards tax policies has been motivated by multiple factors: trust building, corporate responsibility, and proactively mitigating tax risks are among the most frequently mentioned. All interviewees acknowledge that an increasing focus on the role of companies and investors in society in general has contributed to putting responsible taxation on the agenda. They also highlight several internal drivers, such as a wish to codify existing practices as part of good governance and to proactively mitigate reputational risk. They point out that these internal and external drivers have mutually reinforced each other to push the responsible agenda forward.

Figure 3. Companies, investors with a tax policy



Survey among Tax Dialogue participants: 15 companies, 13 investors.

Though recent, tax policies are already evolving and actively used. Despite the written tax policy being a development of the last few years for most of the Tax Dialogue participants, many have already revised their first tax policy to make it more concrete and address gaps that they identified through use of the original policy. This indicates that tax policies are being used and applied in practice. Among companies, the revisions tend to be about implementation guidance, e.g. on the approach to tax havens, or tailoring the policy to the company's specific sector(s). Among investors, the revisions are shaped by a need to make operational guidance more concrete for investment managers, for example by defining aggressive tax planning behaviour in more detail.

> ***'Society's expectations of business are increasing – companies are expected to demonstrate that they act responsibly and help solve societal challenges, including through how and where they pay their taxes.'***
>
> SUSANNE STORMER, VICE PRESIDENT CORPORATE RESPONSIBILITY, NOVO NORDISK

> ***'The tax policy must set internal standards across all business areas for responsible tax practice, when navigating the grey areas of the legislation where the letter of the law is not consistent with the intention of the law.'***
>
> HJALTE VOLQUARTZ, VICE PRESIDENT TAX, VESTAS

Tax policy clarifies expectations internally – and board endorsement matters. There is a consensus among interviewees that tax policies serve to create clarity in the intersection of complex tax legislation, business/investment needs and responsible behaviour – and that board endorsement of the tax policy is crucial. While this is true across both investors and companies, the companies with subsidiaries or presence in foreign countries highlight the board-endorsed tax policy as being particularly useful to set clear expectations across different cultures with different traditions on engagement with tax authorities and transparency.

What are the benefits of having a tax policy?

Corporations and investors with a tax policy highlight the following benefits:

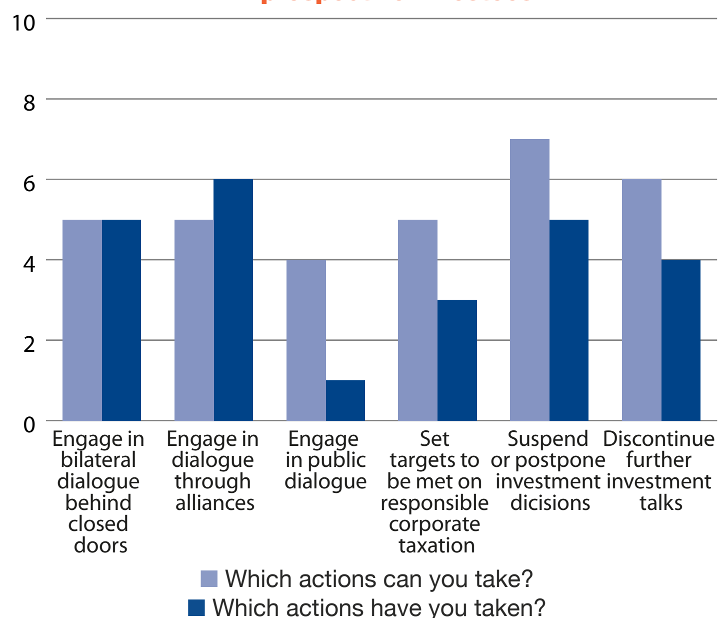
- Creating clarity within the organization across business units
- Aligning expectations across different tax units in the company structure
- Setting expectations for staff
- Mitigating reputational risks due to tax
- Integrating tax risk considerations in new business ventures or investments
- Increasing bargaining power on tax matters

3.2.2. Tax policy: investor action and active ownership

For investors specifically, the tax policies have also become a tool for action – both individually and collectively.

Individually, investors can and do take action due to taxation concerns, such as excluding investments in specific countries due to taxation concerns (cited by five investors who responded to the survey); avoiding specific low-tax jurisdictions (four); blacklisting specific companies due to taxation concerns (three); suspending or postponing investment decisions (six); and engaging with companies in dialogue and/or setting targets for responsible taxation (nine). One investor has also specifically divested from a company due to their corporate taxation practices (see Figure 4).

Figure 4. Action taken towards prospective investees



Survey among Tax Dialogue participants: 13 investors

'External asset managers are more receptive to our corporate taxation concerns than they were a few years ago.'

SANNE JENSEN,
HEAD OF TAX, PFA

'Usually, we are not permitted to communicate with other investors on a specific investment due to confidentiality clauses at the negotiation stage. In the past, that meant investees could tell us that we were the only ones making demands regarding responsible taxation without us being able to verify it. Now we know that other potential participating investors are making similar demands as us.'

KIRSTINE LUND CHRISTIANSEN, HEAD OF ESG, P+

Collectively, many investors have taken action to increase their bargaining power on responsible taxation. They initiated or adopted a Joint Code of Conduct on Tax, specifically on unlisted investments, motivated by a wish to increase bargaining power by having joint minimum standards. In addition to formulating expectations towards external asset managers, the Joint Code of Conduct specifies that the investors will not invest through funds based in jurisdictions that are on the EU's tax haven blacklist. In early 2020, this led the involved investors to stop investing in funds based on the Cayman Islands after it was blacklisted.[11]

Increased bargaining power through joint initiatives: the Tax Code of Conduct

Some of the investors have also joined the Tax Code of Conduct (Skattekodeks), a voluntary code initiated by four pension funds (ATP, Industriens Pension, PensionsDanmark, PFA) and later adopted by nine others (AP Pension, Lægernes Pension & Bank, P+, PBU, PenSAm, MP Pension and Velliv). CEOs of the founding funds publicly explained that they were motivated to create the Tax Code of Conduct to have a stronger influence on industry standards.

'By joining forces, we naturally increase our influence. We expect our collaboration on responsible tax practices to strengthen our dialogue with external managers and thereby contribute to avoiding aggressive tax planning and at the same time promote fiscal transparency in investments. It is our hope that our common principles will evolve into an actual industry standard.' [12]

The Joint Code of Conduct on Tax enables investors to monitor unlisted investments more closely for the duration of the investment. Historically, investors have primarily spent their resources on screening and unlisted investments and exerting initial influence; once the investment is made, most do not closely monitor responsible taxation practices. This is now gradually changing.

3.3. Tax reporting and transparency: still early days

More than half the investors and companies surveyed report or disclose more information on tax than the law requires – eight companies, and seven investors, or 56% of respondents (see Figure 5). For companies, the main motivations include building trust in the organization on tax matters (eight of eight companies), supporting their license to operate (six of eight) and the wish to inform investors' governance and financial analysis of the company while being transparent about tax risks (four of eight). For investors, transparency considerations rank high – about funds being invested in (five of six investors), engagement with investees in case of tax concerns (four of six), and supporting the license to operate (three of six). Only one respondent mentioned pressure from members or consumers, civil society and shareholder activist groups as a motivation.

[11] *Finans (2020).* [12] *ATP et al. (2020, 20 January).*

Figure 5. Tax reporting beyond legislative requirements

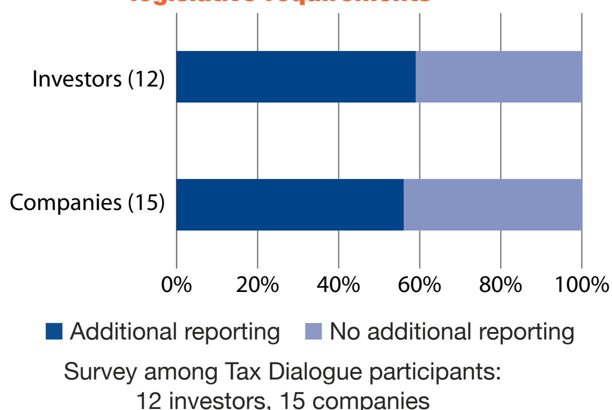
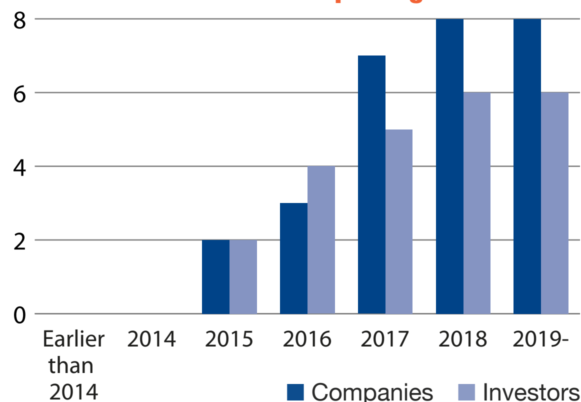


Figure 6. Timing of first additional reporting



Reporting on corporate taxation beyond the legal requirements is a new phenomenon: the first companies and investors in Denmark started it in 2015 (see Figure 6).

The additional, voluntary reporting is mixed in content. Interviewees gave examples including:

- Justification for the use of low-tax jurisdictions or offshore financial centres (the most common);
- Aggregated tax contributions of the company or investor, e.g. including value-added taxes and withholding taxes though not paid directly by the company; and
- CbC information (one company).

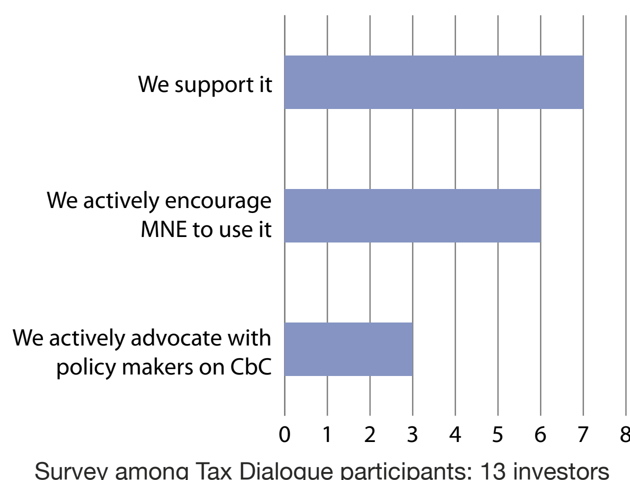
Many investors will also report on external audits of selected investments or action taken in case of concrete taxation concerns, e.g. dialogue with or suspension of specific companies.

Lack of resources and clarity, combined with disclosure risks, hold others back. For those who do not undertake additional reporting, concerns include the additional demand on resources and uncertainty about which standards to use. One respondent expressed the view that the existing legislation on reporting is sufficient. Four out of seven companies see a risk of the additional information being misinterpreted or misused by the media or public, while three in seven are concerned about the risks of disclosing trade secrets or information to competitors.

Views are divided on public CbC reporting. One prominent topic being discussed and promoted by civil society within the debate on responsible corporate taxation is whether or not responsible companies should publish a CbC breakdown of their key financial figures for each and every jurisdictions in which they have a presence, and whether investors should demand such information from investees.

It is noteworthy that more than half of the Danish investors surveyed say they support public CbC reporting by companies (see Figure 7). Three of the investors who support public CbC reporting also respond that they actively advocate with policy makers on the topic. This is interesting as it shows investors not only defining their role on responsible tax in relation to influencing investees or external asset managers, but also in relation to policy makers.

Figure 7. Investors' support to public CbC



While a significant number of Danish investors support it, most companies surveyed express concerns about publishing CbC information. The mainly about the ***resource commitment needed for publishing CbC reporting.*** While large companies already compile CbC data for tax administrations, the concern cited most often in relation to publishing it has to do with the additional time needed to compile and validate disaggregated financial data, and additional internal processes to ensure data robustness. Many companies raised questions on the information value of public CbC reporting compared to the resources needed: while expressing overall support for the importance of transparency, they felt there is a lack of proportionality between the perceived (limited) value of CbC information and the time needed to compile it and perform quality control. Similarly, two interviewees from the external stakeholder group questioned the validity of adding more requirements on those who have responsible taxation practices, rather than focusing on getting a wider group of companies and investors to adopt responsible taxation principles in the first place.

> ***'We request public country-by-country reporting because we see it as a way for investors to gain additional insight into corporate tax practices and that will discourage tax avoidance.'***
>
> RASMUS JUHL PEDERSEN, HEAD OF ESG, PBU

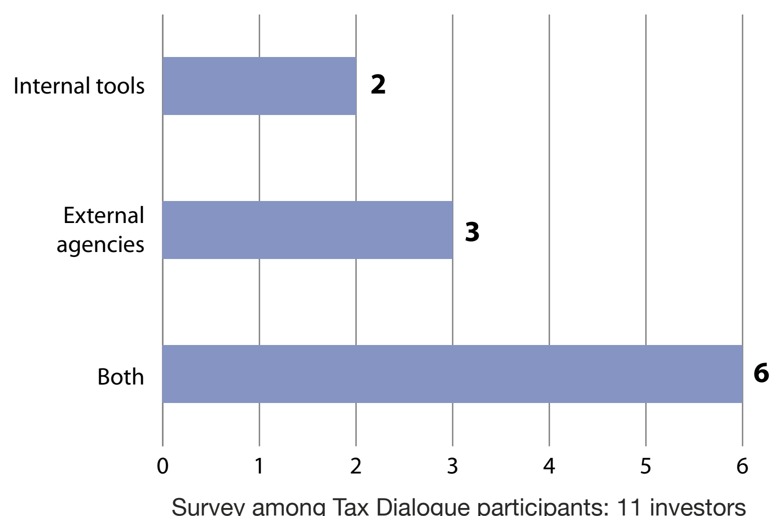
Two companies raised concerns around the risk of disclosing information to competitors as part of public CbC reporting. One was concerned about countries where the company has only one type of activity, effectively providing competitors with information on its profitability. The other cited concerns about an uneven playing field with non-EU competitors who might not be subject to an EU public CbC reporting requirement. On the other hand, two other interviewees highlighted that they regularly hear this concern from their business teams but struggle to see the actual risk. These different views may reflect sector-specific differences between the interviewed companies.

Many investors outsource the verification of responsible taxation practices. The survey asked how investors verify practices for responsible taxation. Figure 8 shows that nine of the 11 investors who answered these questions use external agencies for at least part of their verification practices, while only two rely solely on internal tools.

The nine investors who use external agencies were asked about their confidence in these agencies' capacity in responsible taxation, compared to ESG – a topic that has been at the forefront of investment agendas for a longer time. Responses indicate that investors may be more confident in the external agencies' capacity in ESG, which is likely to reflect that responsible taxation is still a new and evolving area for the agencies.

Monitoring of ongoing investments: two investors said they will strengthen their efforts to monitor ongoing investments for taxation practices. As noted above, the focus is usually on due diligence during the initial investment phase. However, with the Joint Tax Code of Conduct, investors can undertake spot checks and monitoring of tax practice during the investment lifetime. This is a new step for most investors and is likely to lead to further insights and feed into tax policies in the longer term.

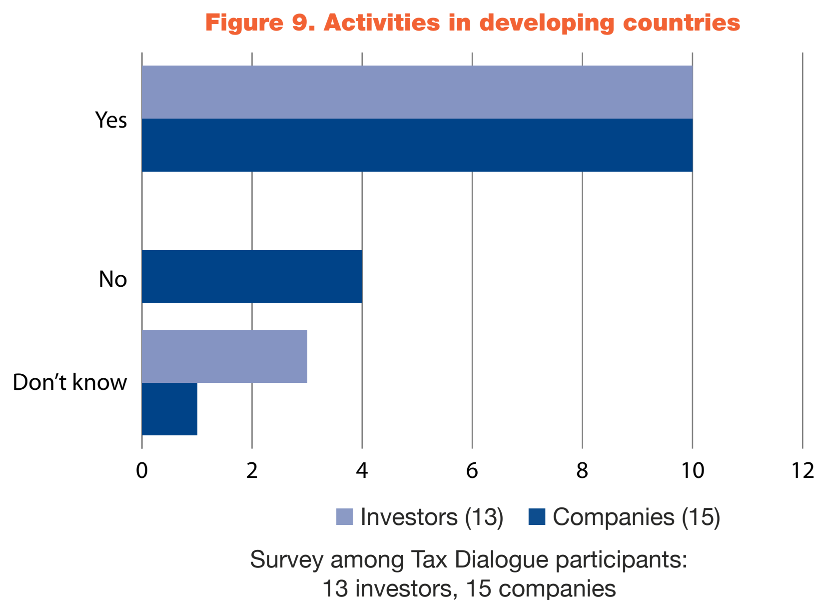
Figure 8. Investors' verification practices



3.4. Sustainable development

Corporate taxation is drawing attention from a sustainable development perspective because increasing domestic revenue mobilization is critical to fund the global development agenda and the SDGs in the countries that need it the most.

Figure 9. Activities in developing countries



Survey among Tax Dialogue participants:
13 investors, 15 companies

Most of the Danish investors and companies surveyed have business activities or investments in developing countries: three out of four respondents confirmed this, with half of the others saying they did not know (see Figure 9). Companies and investors with activities or investments in low-income countries highlight that their priority is to avoid double taxation; they are willing to pay the right taxes in the right country; and their tax policies are globally applicable rather than specific to low-income countries, e.g. tax exemptions are carefully considered for legitimacy regardless of the country.

They note that they often meet challenges in low-income countries, including:

- **Different capacity levels of tax authorities:** not all low- or mid-income countries have robust tax systems. An assessment is required to understand a specific country's tax legislation and the capacity of tax authorities. Rule of law can vary considerably, leading to lengthy tax disputes – in some cases, legal disputes on taxation can take 10-15 years.
- **Different approaches of tax authorities:** some interviewees note that tax authorities may have different – and less accountable – approaches to tax collection. This can include e.g. exorbitant or clearly unfounded requests for tax payments or documentation requirements, as a negotiation practice. In a few cases, though decreasingly so, tax authorities may also attempt corrupt practices.
- **Local tax advisors do not focus on responsible taxation:** two interviewees highlight that they find local tax advisors to be more focused on aggressive tax practices and confrontation, as opposed to responsible taxation and dialogue.

'For many reasons, private sector companies are important for creating economic and social progress in developing countries. This includes corporate income taxes to the developing countries where they operate and, consequently, IFU has for many years been focusing on responsible taxes as a way to increase our impact.'

NICOLAI BOSERUP,
SENIOR VICE PRESIDENT, IFU

3.5. Persisting challenges from the investor and company perspectives

Despite the progress made towards more responsible corporate tax practices among Danish investors and companies, the respondents highlight challenges they feel are constraining further action.

Public debate lacks nuance and understanding of complexities: a common finding across interviewees from the private sector is a strong sentiment that public debate on taxation lacks understanding and nuance. Most find views and media coverage to be overly simplistic, though some note that both civil society actors and media have gained a deeper understanding of international taxation issues in recent years.

Need for a wider movement, beyond Danish investors and companies: many investors and companies note the need for responsible taxation practices to reach a wider audience. As described above, multiple Danish investors have adopted a joint Tax Code of Conduct for unlisted investments to strengthen their influence on external investment managers, but they note that their leverage would increase with more investors adapting similar guidelines. Similarly, some companies note that their tax policies are often met with resistance in foreign acquisitions and joint ventures, and by foreign tax advisors who may still favour aggressive tax planning. Both companies and investors at times make investments with co-investors who do not subscribe to responsible taxation principles – in these cases, they can ensure the responsible taxation practice only of their own part of the investment.

All asset types or unlisted investments only? A still-evolving area in tax policies for investors is whether they should cover all asset types or only unlisted investments. Investors with tax policies for all asset types acknowledge that their leverage is much lower on listed assets, as their investment will be comparatively small – they typically have more leverage in unlisted investments, though it helps if there are multiple investors with responsible taxation priorities.

4. Concluding remarks

In an international context, the focus on corporate taxation practice has grown increasingly critical. Multiple, often reinforcing, factors have contributed to this development, including the global financial crisis in 2007-08; public mistrust, fuelled by leaks about aggressive tax planning practices; the need to finance the SDGs; and increasing expectations towards companies for moral and ethical behaviour. At the outset of a new economic crisis that some expect might surpass the global financial crisis, it seems likely that the issue of responsible corporate tax will continue to occupy public and political debate for years to come.

The experience of Danish corporations and investors working with responsible taxation offers some operational insights.

First, and perhaps most importantly, developing ***a board-approved tax policy offers a range of benefits*** for the company. It serves as a clear communication tool across business functions and subsidiaries, providing clarity on the way forward when staff are faced with having to navigate among competing priorities. Moreover, it mitigates risks – both tax risks and reputational risks.

> ***'The process of refining our tax policy have led to many fruitful internal discussions on taxation – e.g. to the conclusion that tax should never be a competitive advantage.'***
>
> KARL BERLIN,
> VICE PRESIDENT TAX, ØRSTED

Second, the Danish experience underlines ***investors' important role in active ownership for corporate taxation.*** The leverage they use in taking active ownership positions – heightened when they take joint positions – can help push corporations and asset managers towards more responsible taxation practices even at the prospective investment stage. Interestingly, some investors also see their role as more political, also encouraging politicians to support more ambitious legal requirements for corporate tax transparency. Development finance institutions, which sit at the intersection of investments and development, also play a central role.

Still, ***more progress is needed for increased transparency and accountability of tax policies.*** Despite voluntary reporting standards – e.g. GRI – being developed, and the hope that OECD BEPS 2.0 will narrow the avenue for aggressive tax planning, more can obviously be done. No amount of legislation can fully remove grey areas or loopholes from the international tax system, so there remains a need to engage more stakeholders, notably companies and investors, to move towards responsible taxation practices.

Annexes: Supporting documentation

Annex 1: Literature

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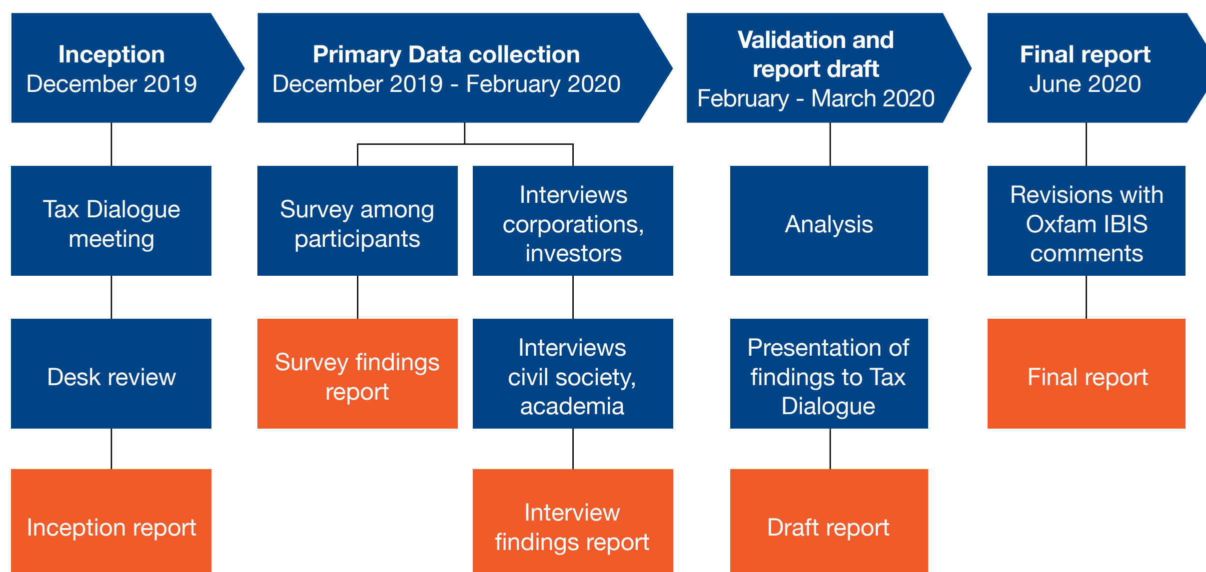
Annex 2: Research approach

The research phases are illustrated in Figure 10. For easy reference, deliverables are highlighted in orange.

Figure 10. Research phases



Annex 3: Respondents – survey and interviews

Table 1 lists the survey respondents and interview participants by type.

Table 1. Participants in survey and interview by type

Participant type	Survey	Interviews	Interviewees
Corporations	15	7	Seven corporations, one of which is a tax advisory firm.
Investors	13	4	Three pension funds. One development finance institution.
Other stakeholders	0	3	One trade organization. One civil society organization (other than Oxfam IBIS). One researcher in responsible taxation.
Total	**28**	**14**	

This report is part of Oxfam IBIS' Tax Dialogue initiative. Oxfam IBIS has initiated and led the Tax Dialogue project since 2014, engaging influential Danish corporations and investors in a collective effort to raise the bar on responsible taxation. Through 17 national roundtables involving civil society, institutional investors, companies, tax advisors and business associations, and six international conferences, the Tax Dialogue has built understanding of how corporations and investors can implement responsible tax policies, sharing examples of good practices and discussing challenges.

After five years of leading the Tax Dialogue project Oxfam IBIS commissioned this research report to take stock of the responsible taxation agenda among investors and corporations in Denmark. The report builds on survey responses from 28 participants in the Tax Dialogue, including some of Denmark's biggest companies and institutional investors (mainly pension funds). In addition, in-depth interviews were conducted with representatives from 14 companies, institutional investors, advisory firms, business associations and NGOs.

The report demonstrates that corporate taxation is increasingly being recognised as central to companies' corporate responsibility. As the world stands amid an emerging economic crisis, which is bound to put pressure on public coffers, this recognition is not set to subside in the foreseeable future. The report concludes that there is a pressing need to move further towards responsible corporate taxation practices for the private sector as no amount of legislation will be able to fully remove the grey areas and loopholes of the international corporate tax system.

For further information on Oxfam IBIS' Tax Dialogue project please visit:

About Oxfam IBIS

Oxfam IBIS is the Danish member of the Oxfam confederation. We work for a just world in which all people have equal access to education, influence and resources. Together with our partners, Oxfam IBIS combats global inequality and poverty. The Oxfam confederation works in more than 90 countries across the world and reaches more than 20 million people with development and humanitarian assistance.

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