

Governance and transparency:

The perfect match?

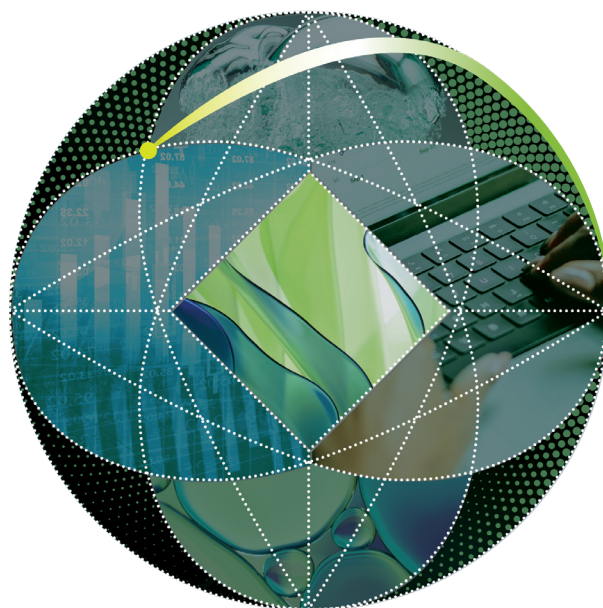
Introduction

Deloitte's [Tax Transparency and Reporting: How can we see more clearly?](#) traced the origins of the current transparency framework back to a lack of trust in and around tax systems. That article posed the question of how a different future could be built around re-established trust, and how far current reporting models could be modernized and reformed to make them more efficient and less burdensome. This article now explores one possible pathway to that future – improved tax governance – and considers how a better governance and control framework could contribute to more focused and effective transparency outcomes.

The role of tax governance

Within the portfolio of the chief finance officer or head of tax in a global business, tax governance can present particular challenges. The need to operate across different jurisdictions (with different taxes and different concepts of good governance and control) means that a one-size-fits-all, off-the-shelf approach to tax governance is not an option. The need, rather, is for an adaptable approach which can be effectively deployed across a range of geographies and can evolve flexibly as the business grows.

Discussions about tax governance are often, and rightly, framed around considerations of risk. The focus is on how tax governance can contribute to and support overall tax management.



From this perspective the role of tax governance centers around:

- Enabling appropriate tax decision-making, e.g., in relation to tax choices within commercially driven arrangements
- Identifying, managing, and reporting risks relating to new taxes, uncertainty in interpretation of law, changes in business profile (e.g., new products or markets) or weaknesses in existing tax processes
- Overseeing timely and accurate tax compliance and reporting
- Supporting finance and technology transformation
- Providing assurance to internal and external stakeholders

The positive side-effect of having good governance is that it contributes to building and maintaining relationships of trust with external stakeholders including tax authorities.

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Amanda Tickel, Global Tax & Trade Policy Leader

"The big question on tax transparency is not whether we need it – we clearly do - it is how we develop a model which maximizes the benefits of transparency while minimizing its costs and burdens."

The benefits of tax governance

The benefits derived from good tax governance extend widely, delivering positive outcomes for businesses, tax authorities and wider stakeholders.

The direct benefits to business of pursuing good tax governance include:

- Visibility of tax across the global group
- Increased control and a greater sense of agency
- Fewer unwelcome “surprises” on ETR and/or cashflow
- Reduced scrutiny from the tax authorities
- Reduced penalties and sanctions

- Lower costs due to reduced controversy
- Reputation and brand protection
- Exit and capital market readiness

For tax authorities the key benefits are:

- Better risk assessment
- More accurate compliance
- Better targeting of resources
- Reduced tax gap (i.e., the difference between the amount of tax collected and considered due)

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Andreas Kirsch, Director, Deloitte Singapore

“We should be looking at a real win-win-win here with benefits not just for the CFOs and heads of tax who are pursuing good governance, but for tax authorities and wider stakeholders too.”

Beyond the central relationship between taxpayers and tax collectors, wider stakeholders also draw benefits from good governance. Provided that both businesses and tax authorities are transparent about the tax governance models which are in place, stakeholders – including investors and civil society – can more confidently rely on the tax rules being properly applied and followed properly.

Indirect benefits – increased trust

The key indirect benefit of pursuing a good governance strategy is the building and maintenance of relationships based on trust. This goes to the heart of the transparency issues explored in [Tax Transparency and Reporting: How can we see more clearly?](#)

The promise held out by better governance is that sound tax governance strategies can give tax authorities and external stakeholders assurance that businesses are compliant with their tax obligations. Once that trust is (re)established, the need for separate transparency reporting and analysis could be reduced.

While this would not render transparency reporting obsolete – at the very least a core of reporting would be

required to maintain confidence that governance models were being properly applied – it holds out the prospect of a more targeted and therefore less burdensome approach to reporting.

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Diana McCutchen, Partner, Deloitte US

“The real prize here is the move from checking on individual outcomes and behaviors to ensuring that the system itself delivers the right outcomes and behaviors.”

Models of tax governance in theory

Thinking about tax governance has a long pedigree with the OECD having codified key aspects in the mid-2010s. The outcomes are set out in the following reports:

- **Cooperative compliance** (2013), setting out the underpinning principle that businesses should take responsibility for managing their own tax risks through a collaborative and open working relationship with the tax authority;
- **Justified Trust** (2014), emphasizing that where businesses demonstrate they are worthy of tax authorities' trust this can dictate the nature of the relationship they have with a tax authority as well as the level of scrutiny; and
- **Tax Control Frameworks** (2016), within which the OECD sets out what 'good' looks like and offers “six building blocks” for below.

Thinking in this area has also been developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)¹ which has developed a framework to support organizations in managing internal control, risk management and fraud deterrence. This framework highlights the range and complexity of factors which have a bearing on the development of effective governance.

¹ [The COSO Internal Control Framework - Accounting Internal Controls](#)

Models of tax governance in practice

As well as setting a theoretical framework these reports offer a practical basis for the development of sound tax governance models. The table below highlights how different elements have been incorporated into national frameworks².

Country	Regime/framework	Status
		Law/Practice
UK	Business Risk Review	Practice
	Senior Accounting Officer	Law
	'Failure to prevent' offences	Law
	Publication of tax strategy	Law
	Reasonable care regime	Law
Australia	Combined assurance review	Practice
	Voluntary tax transparency code	Practice
Ireland	Enhanced relationship	Practice
	Director's compliance statement	Law
	Under declaration of tax positions	Law
	Reasonable care	Law
Italy	Cooperative compliance program	Practice
	Corporate responsibility for tax crimes	Practice
Germany	Tax compliance management system	Practice
Malaysia	Tax corporate governance framework	Practice
Netherlands	Horizontal monitoring	Practice
Poland	Tax strategy publication	Law
Spain	Tax governance policy/Tax strategy	Law
	Tax risk management and control framework	Law
	Tax in annual corporate governance report	Law
	UNE 19602 certification	Practice
	Cooperative relationship programme	Practice
Singapore	Tax governance framework	Practice
	Tax Risk Management and Control Framework for Corporate Income Tax	Practice
	GST Assisted Compliance Assurance Programme (ACAP)	Practice
US	Compliance assurance programme	Practice

As was noted above, working within an approved tax governance framework can often deliver benefits in terms of concessions or easement offered by the tax authority.

² Source: Deloitte analysis

The table below shows how concessions operate in different jurisdictions³.

Country	Regime/framework	Tax authority concessions				
		Penalty protection	Prosecution protection	Reduced scrutiny	Increased certainty	Faster issue resolution
UK	Business Risk Review	Informal expectation		Explicit commitment	Informal expectation	Informal expectation
	'Failure to prevent' offences		Formal defence			
Australia	Combined assurance review			Informal expectation		
Ireland	Enhanced relationship	Informal expectation		Informal expectation	Explicit commitment	Explicit commitment
Italy	Cooperative compliance program	Explicit commitment		Explicit commitment	Explicit commitment	Explicit commitment
	Corporate responsibility for tax crimes		Informal expectation			
Germany	Tax compliance management system	Informal expectation	Informal expectation	Informal expectation	Informal expectation	Informal expectation
Malaysia	Tax corporate governance framework	Informal expectation		Explicit commitment		Explicit commitment
Netherlands	Horizontal monitoring			Informal expectation	Informal expectation	Informal expectation
Singapore	Tax governance framework	Explicit commitment		Explicit commitment	Explicit commitment	Explicit commitment
	Tax Risk Management and Control Framework for Corporate Income Tax	Explicit commitment		Explicit commitment	Explicit commitment	Explicit commitment
	GST Assisted Compliance Assurance Programme (ACAP)	Explicit commitment		Explicit commitment	Explicit commitment	Explicit commitment
Spain	Cooperative relationship programme	Informal expectation		Informal expectation	Informal expectation	
US	Compliance assurance programme	Informal expectation		Informal expectation	Informal expectation	Informal expectation

³ Source: Deloitte analysis

How businesses are responding

Having seen transparency reporting rated the most impactful issue by [Deloitte's 2025 Global Tax Policy Survey](#) and compliance with changing tax regulations ranked the top challenge by [Deloitte's Tax Transformation Trends Survey 2025](#), Deloitte polled a subset of businesses to understand **how** they are responding in term of tax governance, and **why** they have adopted this approach.

On the **how**, it was clear that a broad range of approaches is being pursued. At one end of the continuum, no more than a third of respondents reported applying consistent tax control frameworks (TCF) either globally or across their HQ jurisdiction and other material jurisdictions. At the other extreme, just over a fifth reported having no formalized TCFs at all. The remainder reported either applying different TCFs across different jurisdictions or applying a TCF only in their HQ jurisdiction. This suggests that the full benefits of an over-arching tax governance framework are not routinely being achieved by those who would benefit from it most.

On the **why**, it was striking that a clear majority of participants pointed to seeking “a better sense of confidence and control over tax” as the primary factor motivating their development of a TCF. The pragmatic motivation of securing some protection against penalties and prosecution was identified by almost a fifth of participants.

It is notable that only a small minority (well under 10%) of participants took the position that they would only implement a TCF if required by law. Experience in the market suggests there may be an effect where initial compulsion leads to wider adoption once the benefits of a TCF have been experienced.

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**Jorge Martin Girola, Partner,
Deloitte Spain**

“The evidence is clear, better tax governance delivers real, practical and valuable benefits to those who pursue it.”

Developing good governance – six practical actions

While tax governance has been explored at a conceptual level by bodies such as the OECD, the real challenge for any business seeking to develop an effective tax governance model is how to identify the practical actions required to put the framework in place.

Drawing on global experience helping clients to develop effective governance strategies, we have identified the following six actions:

1. Public tax statement

A concise summary of the organization's approach to the management of tax, in a format suitable for external publication. This can support tax transparency disclosures such as EU or Australian Country-by-Country Reporting, by setting data releases in their wider context. It can also address a broader range of stakeholder needs and expectations. For example, investors and procurement functions increasingly screen for tax controversy and policy positions and tax authorities are also interested in whether a taxpayer's action is consistent with their public commitments on tax.

2. Tax policy statement

A more granular internal document which should build on and accommodate published tax statements. Coverage should extend across a broad range of risk types (e.g., compliance, evasion, planning, financial reporting, controversy), taxes, divisions, and jurisdictions. This will establish clarity over roles and responsibilities and describe how the elements of the TCF operate and interact.

3. Tax process documentation

Process documents, maps, narratives, standard operating procedures (SOPs) or similar documents outline processes and procedures for managing tax obligations. Such material can help maintain continuity of compliance in the event of unexpected absences. It can also help with training activity and provide a valuable summary of the current state to assist with process review and transformation.

4. Tax risk and control matrix

An effective TCF relies on the accurate mapping of identified risks (or control objectives) to the actual controls which have been put in place. This cannot be a box-ticking exercise and needs to be kept up to date through a regular cadence of risk assessment. Control expectations should be clearly communicated through the organization as part of core training. Increasingly, control performance can be monitored through the use of "control workflows" which can automatically manage the required sign-offs and risk confirmations and thereby ensure that the TCF is effectively operationalized.

5. Assurance activity

Independent testing of controls design and operating effectiveness is a strong indicator of maturity in a TCF and commitment to continuous improvement. Testing plans should be designed with care to ensure they make best use of limited time and resource and ultimately add value and strengthen the TCF.

6. Reporting and oversight

Senior leadership should receive regular reporting in relation to emerging risks, uncertain tax positions, special projects, compliance status and the outcomes of testing activity. They should steer the direction both through direct feedback to issues raised and longer-term updates to the tax policy and public tax statement.

Obstacles and opportunities

While the benefits of good tax governance can be numerous, the concept has not been universally embraced.

At the level of individual businesses, the problem may be a simple information failure: the benefits have yet to be fully understood and therefore tax governance has yet to secure a place on the broader corporate radar. It may also highlight an issue around skills: tax governance and risk management demand a blend of skill sets which does not align precisely with the traditional role of the tax professional. Both of these issues can be addressed in the context of wider corporate governance.

A more systemic problem may be the lack of a commonly accepted standard for tax governance across different jurisdictions; there is no one-size-fits-all model that multinational enterprises (MNEs) can embrace. Even the deluxe response of seeking to comply with the most demanding applicable standard offers no relief in this context, since there is no common basis for allowing compliance in one jurisdiction to be accepted as compliance in another jurisdiction. The solution to this problem lies in the realms of multilateral cooperation.

One approach could be to develop a mutual recognition framework between tax jurisdictions, drawing on the effective mutual recognition models which operate in other spheres (medical, academic, legal). Under such a system, MNEs which met the required standard in Country A would be treated by Country B as meeting the standard there as well. In this context, developments in information technology and, particularly in data sharing and verification, could make a positive contribution to further policy thinking.

Clearly, there would be a need for such a system of mutual recognition to be underpinned by an agreed set of minimum standards. How far these minimum standards might, in the end, approximate to an agreed, certifiable international standard, would be a matter for further debate. However, the prospect of certification against an agreed common standard could help simplify the process of implementing a global tax governance framework and if this then provided immediate access to benefits across covered jurisdictions that would strengthen the already compelling case to act.

Given the benefits which can be derived from pursuing a well-designed and targeted tax governance strategy, particularly in terms of the increased control and greater visibility, there is a strong case for CFOs and heads of tax to prioritize this issue both internally (to maximize the benefits to business) and externally (to make the case for greater coherence across different jurisdictions).

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**Mark Kennedy, Tax Partner,
Deloitte UK**

"Widespread adoption and acceptance of a certifiable international tax governance standard could be a real game-changer, supporting the spread of cooperative compliance and paving the way for a better targeted and less burdensome approach to transparency reporting."

Conclusion

Improved tax governance holds out the promise of a range of benefits to businesses, tax authorities and wider stakeholders.

Not least of these is the prospect of rebuilding trust in the tax system in ways which could transform the current tax transparency framework, making it more effective and less burdensome.

The challenge for both tax authorities and businesses is to grasp these opportunities by prioritizing tax governance improvements.

Securing the benefits of better tax governance globally will require a shift from the current patchwork of national governance standards towards a more coherent global approach, potentially based on a system of mutual recognition between jurisdictions.

Businesses will have a role in advocating for a more coherent global framework and in ensuring that developments are fully aligned to the realities of global business.

More immediately, and practically, businesses can start to derive direct and indirect benefits by testing their current governance models against the six key actions outlined above.

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Amanda Tickel, Deloitte Global Tax & Trade Policy Leader

"It's clear that governments around the world are moving at different speeds and in different directions, and businesses are adopting frameworks differently. There would be benefits to all if there were more aligned and streamlined transparency requirements."

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