

SEE Questionnaire

Donations and Payments Q3



Has your company paid appropriate levels of tax over the last two financial years?

Question developed with [Tax Justice Network](#)

Rationale for question

Taxation is raised by government to fund public goods such as education, health care, and law and order. These services are vital in maintaining strong and healthy societies. Since individuals and businesses prosper when society prospers, the incomes of both individuals and businesses are taxed to fund public spending. Unfortunately, governments lose many billions of dollars annually due to tax evasion. Some methods of avoiding taxes may technically be legal, but suggest limited civic responsibility. As a result of such large losses of tax revenue, governments are forced to either reduce public spending or increase the tax burden on individuals or business organisations that do not have the financial resources to develop methods of avoiding taxes.

Defining terms

'Appropriate levels of tax' are the rates stipulated by the relevant tax authority within the country where the company's tax liability falls minus 3%. For example, in the UK, HM Revenue & Customs set a small companies' tax rate of 21% on profits up to GBP 300,000 (with the rate for 2010 still 'to be advised') and a main tax rate of 28% on profits of GBP 1,500,001 or more. Therefore, for the purposes of this question, the 'appropriate levels of tax' would be 18% and 25% respectively.

There is a simple reason for defining this 'appropriate level' a little less than the tax rate laid down in law: taxable profits and accounting profits are not the same thing. As a result, it is unlikely a company will pay exactly the tax rate laid down in law on its declared taxable profits. The rate may be higher because some costs allowed for accounting purposes are disallowed for tax. Examples are entertaining costs and many legal and repairs expenses. In contrast, some expenditure is treated more generously for tax purposes than it is in accounts. One example is the purchase of many capital items, especially if those costs relate to IT, and other electronic equipment, which often receive a tax allowance earlier than the assets are expended in accounts. For these combined reasons, Tax Justice Network has set parameters within which, in normal circumstances, they would expect to find the payments of a company that was not undertaking aggressive taxation planning to fall.

'The last two financial years' are the two most recent annual periods with financial statements. As the financial year-end date differs between companies, respondents are required to update their answer to this question each time year-end accounts are signed off or published.

Primary and Secondary answer requirements

ANSWERING YES

Companies must, for the last two financial years:

1. state the date of publication;
2. state the tax bracket that applies to their business; and
3. state the percentage of tax they have paid.

Companies may:

1. provide any other relevant information.

ANSWERING NO

Companies must, for the last two financial years:

1. state the exact amount of profits generated;
2. state the tax rate that applies;
3. state the amount of tax paid and the percentage this represents; and
4. explain why they paid taxes at a different rate.

Companies may:

1. provide any other relevant information.

ANSWERING NOT APPLICABLE

Companies must:

1. confirm that they have not made profits in both of the last two financial years;
OR
2. explain why they are not subject to taxation.

DON'T KNOW is not a permissible answer to this question.

NO ANSWER YET is only permissible under extraordinary circumstances and then for only a limited period.