



Tax Alert

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Responsible Taxation and Transparency Reporting – Case for inclusion of Tax Transparency Report in 2021 Financial Statements

Environmental, Social and Governance (ESG) is now at the top of the leadership agenda with tax playing an important role. Corporate tax transparency now has a profound impact on business reputation and governance. It is important for companies to not only contribute their fair share of taxes but also take proactive steps to document their contributions and its impact on the society in which they operate.

The recently passed Finance Act, 2021 has widened the scope of taxes paid by companies. The requirement for companies to continue to contribute more has never been higher in Nigeria. Although financial statements provide some information regarding the amount of Companies Income Taxes paid in any year by companies, this is insignificant compared to the total amount of contributions made either directly or indirectly to all the three tiers of Government and their Agencies. Most of these contributions go unpublished and thereby deprives companies the opportunity to not only demonstrate how much they already do (which may even be a factor in the continued introduction of new taxes and levies by governments), but also the opportunity to understand the cost profile of their businesses and plan around it. Equally, there is very little exposure at the Board level as to the amount and type of contributions companies make due to lack of data in usable form.

Consequently, as companies commence the audit and preparation of their financial statements for the 2021 financial year, it is important that they consider including reports of their various tax contributions along with other financial indices as part of the financial statements and or directors' report. This gives them the opportunity to key into and explore the benefits of responsible taxation and transparency reporting as a part of their ESG engagement.

It is also an opportunity to proactively position themselves in line with global best practices and be accountable for their commitment to the betterment of the society in which they operate.

Click [here](#) to read our publication on “ *Responsible Taxation – Evaluating the benefits of tax transparency reporting to Nigerian businesses in changing times*”

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