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Taxes and ESG

By Gerry Zack, CCEP, CFE, CIA

Minimizing a corporation's taxes through legitimate tax planning is perfectly legal, whereas tax evasion is a compliance issue. Somewhere in between is a plethora of other tax issues, making tax transparency an important environmental, social, and governance (ESG) consideration for organizations.

On the surface, corporate taxes may not appear to be an ESG issue. But look more closely and it becomes apparent that taxes can impact all three elements of ESG. Environmental issues can trigger taxes or tax credits based on the company's activities. Social issues can have similar effects with taxes, such as those associated with health or credits for social investments. And governance may have the most direct connection with taxes, since this is the category under which transparency is measured and through which disclosures—both required and voluntary—are made in financial reports, websites, and other channels. Additionally, paying taxes is increasingly viewed as one way companies can demonstrate their commitment to supporting society through government-funded programs.