Article

Tax transparency, tax avoidance and stakeholder education

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ABSTRACT:

Tax transparency is slowly becoming a new norm. In our article we made an attempt to look at tax transparency as a tool to combat tax avoidance from the social historical perspective. We concluded that although there are many developments in the field of tax transparency to raise public awareness and introduce voluntary and mandatory public disclosures for multinational companies, stakeholders' formal education on the matter is needed to help achieve better results. Social contract theory and the social cost of tax avoidance should be the necessary parts of such education.

PALABRAS CLAVES:

Desarrollo sostenible, transparencia fiscal, educación de las partes interesadas, evasión fiscal

RESUMEN:

La transparencia fiscal se está convirtiendo poco a poco en una nueva norma. En nuestro artículo, intentamos analizar la transparencia fiscal como herramienta para combatir la evasión fiscal desde la perspectiva histórico-social. Llegamos a la conclusión de que, aunque hay muchos avances en el campo de la transparencia fiscal para concienciar al público e introducir divulgaciones públicas voluntarias y obligatorias para las empresas multinacionales, es necesaria una educación formal de las partes interesadas en la materia para ayudar a conseguir mejores resultados. La teoría del contrato social y el coste social de la evasión fiscal deberían ser partes necesarias de dicha educación

MOTS CLES :

Développement durable, transparence fiscale, éducation des parties prenantes, évasion fiscale

RESUME :

La transparence fiscale apparaît peu à peu comme une nouvelle norme. Dans cet article, nous avons tenté d'examiner la transparence fiscale en tant qu'outil de lutte contre l'évasion fiscale au regard de l'histoire sociale. Nous avons conclu que, bien qu'il y ait de nombreuses améliorations dans le domaine de la transparence fiscale pour sensibiliser le public et introduire des divulgations publiques volontaires et obligatoires pour les sociétés multinationales, l'éducation formelle des parties prenantes sur la question est nécessaire pour aider à obtenir de meilleurs résultats. La théorie du contrat social et le coût social de l'évasion fiscale devraient être les piliers de cette éducation.

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1 STAKEHOLDERS FOR TAX TRANSPARENCY

The global movement for tax transparency and sustainability started in the second half of the 20th century and now is growing. More jurisdictions and nongovernmental organizations are getting involved and have raised their voices to urge global multinational companies to become more transparent.

On May 25th, 2022, during Amazon's annual meeting, shareholders representing $144 billion called for increasing tax transparency by the company, requesting the Board of Director to "issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard"[1]. This proposal Amazon, the company, initially tried to decline on the basis of Rule 14a-8(i)(7) (Code of Federal Regulations: 17 CFR § 240.14a-8 - Shareholder proposals, 2011) which permits a company to exclude a shareholder proposal from the company's proxy statement that "deals with a matter relating to the company's ordinary business operations" (17 CFR § 240.14a-8 - Shareholder proposals), but the SEC sided with the shareholders in this matter and in its letter dating April 8, 2022 said that in the Commissions view the Proposal exceeds ordinary business matters (Commission, 2022).

In 2022 Cisco and Microsoft investors submitted similar proposals asking the companies to adopt the GRI standards (Sarfo, 2022). In Australia the Labor party made public release of high-level data tax information county by country a part of its program (Australian Labor Party).

In September 2021 a group of 63 investors with 2.9 trillion in assets sent a letter to the USA FASB in support of tax transparency (Fact Coalition, 2021).

1 See the petition (Tell Amazon shareholders and Board: Vote to hold Amazon accountable and expose global tax avoidance, 2022)

OECD, the United Nations and the European Union are actively working on mechanisms that would harmonize taxation and address the sustainability of economies, which is not possible without predictable, reliable and constant streams of tax revenue.

On March 9, 2022, 127 leading transparency, anti-corruption, open data and journalists' organizations including Transparency International issued a statement demanding open company and beneficial ownership registers (Transperency International, 2022).

While tax transparency is slowly becoming a new norm, and shareholders and governments are the ones who started this movement, what can be the next step in this direction? Would it be enough to achieve not just transparency, which is eventually just a tool not a goal, but true financial sustainability for local jurisdictions in particular? To answer these questions, we need to look back on the history of tax avoidance and tax havens.

2 TAX AVOIDANCE AND TAX HAVENS: HISTORY

From the very start there were two groups of major players that were involved in this process, on the one side - managers and majority shareholders, tax haven authorities; governments, investors and individual taxpayers were on the other side. For the last two centuries the demand for tax transparency from one group of players grew directly proportional with the number of tax havens and the introduction of new and more sophisticated profit shifting and tax avoidance techniques. While tax authorities were becoming more cooperative, working toward creating an effective tax system based on the principles of justice and legal certainty (Andrés Aucejo, 2008), international corporations exploited existing loopholes in legislations while formally following the law used more and more sophisticated tax planning and offshore arrangements to shift profit and reduce their local social obligations, such as taxes. For many years tax havens providing anonymity and profit shifting techniques allowed companies to stash their revenue, while local tax authorities and the public couldn't see the tax payments globally.

The modern age of tax havens started in the US. New Jersey's corporate sector was booming in the late 19th century after its Governor Leon Abbet, in an attempt to save his state and being desperate for funds, rewrote New Jersey's incorporation law which allowed easy incorporation requirements and relaxed regulations (Seligman, 1976). In the beginning of the 20thcentury Delaware, another USA state, saw the opportunity to sweep away New Jersey when the then-new governor of New Jersey pledged to clean up the corporate sector. Delaware went further and created a special tax regime allowing it to set up nonresident companies and exempt corporations from state tax (Delaware Division of Corporations). In 1970 was created the Delaware loophole that allowed companies to save millions in after tax dollars. Delaware doesn't tax revenue from intangible assets if the company isn't physically located in Delaware (Weitzman, 2022). The companies can transfer intangible assets to the subsidiary established in Delaware, then the other related companies send payments for usage of that intangibles to the subsidiary. These payments are deducted from revenue in the other states lowering companies' tax obligations and are not taxed in Delaware. The other benefits of incorporation in Delaware are anonymity and the court that "historically respected the good faith decisions of a Board of Directors over the desires of its stockholders" (Harvard Business Services, Inc.). As a result, in 2021 approximately 93 percent of all US initial public offerings were registered in Delaware (Corporations, n.d.), including such multinational corporations as Google, Amazon and Apple.

This practice was copied and spread worldwide with some modifications within Europe. First was the canton of Zug (Ball, 2011), then the UK. The UK court went further allowing non-resident companies to incorporate in the UK without paying taxes. This technique known as "virtual" residence was later copied by such jurisdictions as Bermuda, Bahamas and vastly improved by Cayman Islands (Palan, 2009). In 2007 $5.6 trillion of global wealth was held in Switzerland. Over the last four decades global offshore wealth and the quantity of offshore centers increased significantly. Research performed by Annette Alstadsæter, Niels Johannesen & Gabriel Zucman estimated that the equivalent of 10% of world GDP is held in tax havens globally (Alstadsæter et al., 2018).

From the very beginning of the history of tax havens the features that these jurisdictions offered were secrecy, anonymity, and tax and ownership non transparency. The big question is who the winners are and who are the losers of such an arrangement, or if to reword the question, who are the players now. On the surface the shareholders and managers are the one who are the obvious beneficiaries of such arrangements, which contradicts with the facts we listed above. Then only the jurisdictions that lose its revenue would be the ones who would ask for more transparency.

In the last century most scholars supported the idea that the simplified incorporation laws and lax regulations empowered managers at the expense of shareholders (Cary, 1974), since the managers can choose the place to incorporate, and shareholders cannot influence this decision. In the last quarter of the 20th century the opinion has changed to the opposite, saying that shareholders win the most from the special incorporation and tax regimes (Winter, 1989). The jurisdiction's competition maximizes shareholders' value and allows it to drive down the cost of capital, while without this competition the shareholders of new corporations would be in a disadvantageous position. Harwell Wells in his article (Wells, 2009) although doesn't focus on what kind of race it was, states the Delaware incorporation laws are written in the way that empower managers, citing that "Corporations needed the freedom to enter new business fields or to issue new securities, even if these changes disadvantaged existing shareholders". The other research included 17,331 publicly listed firms and focused on the international environment suggests that tax haven subsidiaries are used for entrenchment activities beyond pure tax savings, and for example shield cash from outsiders such as minority shareholders (Zeume & Stefan, 2015). These incentives and such instruments, as tax havens, complex transfer pricing rules, special agreements with some local governments, double tax treaties available for multinational companies and top one percent wealthy individuals resulted in the local income tax burden being shifted from big companies to middle class and local businesses. For example, the US Treasury announced that the tax collected as a percentage of GDP is at its historic minimum, skewed very heavily toward the top 1 percent earners - high income individuals and multinational corporations. The estimated percentage of unpaid tax for 2019 was about 28 percent ($163B) (Sarin, 2021). OECD published that tax avoidance cost countries from $100B to $240B in lost revenue (Organisation for Economic Co-operation and Development, 2021). Most of the developing countries struggle to collect taxes to obtain a sustainable economy. In August 2022 US president Biden signed the Inflation reduction Act in law (117th Congress, 2022). Almost 80 billion in this law was appropriated to the IRS. Most of this amount goes to enforcement and operations support. Enforcement was determined as tax collection, legal and litigation support, conduct of criminal investigation. Operations support includes "rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles". There are not too many countries in the world that can invest such an amount in tax services. Given our statistics above, the majority of unpaid taxes that should be returned belong to wealthy individuals and multinational companies. If the IRS admitted that to fight with the tax avoidance it needs such enormous resources, how can developing countries with all their internal problems achieve the same purpose?

To summarize facts that we introduced above, tax havens or jurisdictions offering more anonymity appeared as a movement after WWI and spread globally. President Roosevelt in his speech to Congress said that as the nation was overwhelmed with the problems resulting from the Great Depression, Congress and the courts faced significant planning by taxpayers that deprived the government of revenue at a time when it could ill afford to lose income (Roosevelt, 1937). For many years there was no adequate tool to fight global tax avoidance, especially during global crises times like world wars, when countries didn't trust each other enough to exchange information and cooperate. Some instruments that were developed to help companies became old and inadequate. When the League of Nations in 1928 developed its first model tax treaty to prevent double taxations, they tried to address the immediate need to support global cooperation. When a couple of decades after WWII globalization started to revitalize, global supply and value chain gradually became more sophisticated as well as cross border tax structure, tax treaties created some opportunities for profit shifting. The 1928 Double Tax Treaty became a foundation of the 2010 Model, the UN Model and of modern tax treaties, and while the treaties settle the competing and overlapping taxing rights of a source country and residence country, they inherited their fundamental flaws that offer an opportunity for profit shifting and "with a treaty in place, the MNE's incentive is to extract income in forms that attract a low or zero WHT rate, which may be ones — management fees, for instance, or royalties—that the host authorities find particularly difficult to value (International Monetary Fund, 2014).

1. Modern Development on Tax Transparency

Since the 1980s global organizations are working toward tax transparency and fair competition. OECD implemented a Multilateral Instrument to help jurisdictions to close the loopholes in international tax treaties by transposing results from BEPS Project into bilateral tax treaties worldwide. Pillars I and II is another project introduced by OECD to fight with profit shifting and tax avoidance and make the multinationals pay their "fair" taxes to the jurisdictions whose resources they use. Although the fight is far from being over. There is a huge push back from some of the biggest multinational companies who chose to follow the letter of law other than spirit of law.

Even companies with great brand names, like Starbucks and Apples, who are very supportive to other sustainability issues, like climate change and environmental, are using all legal opportunities to "optimize their tax liability", and as we cited in the beginning of our paper even their shareholders don't understand all the complexity of the tax arrangements, and risk associated with them, since the information is not available to them.

Unfair competition, mutual mistrust and globally very disproportionate distributions of natural and labor resources (most of the countries who provide resources are developing, have higher levels of corruption, less trained tax personnel, and cannot withstand multinational companies and make them pay enough of a contribution back to the jurisdiction) created well fertilized ground for tax abuse. There is not enough research on the correlation between natural resources and corruption, but empirical studies showed that "that resource-rich countries indeed have a tendency to be corrupt because resource windfalls encourage their governments to engage in rent-seeking" (Bhattacharyya & Hodler, 2010). As we see the latest attempts to close the loopholes are patchwork that doesn't solve the fundamental problems., which is the reality, modern laws are a very complex compromise between attempts to close discovered tax flaws, influence social behavior and still be competitive with other jurisdictions to attract more business opportunities. This internal complexity is the fundamental problem that couldn't be solved without changing social behavior of every single individual (stakeholder) through education which would enhance deep understanding of global sustainability (Fischer et al., 2012).

The complexity of tax law directly correlates to the lack of transparency (Holtzman, 2007). It is difficult to administer such complex laws and apply them consistently. Introduction of country-by-country reporting was a huge step in the right direction and made Pillar I and II possible. Although Pillar I is arguably very complex which postpones its implementation and as many scholars agreed the complexity creates an avoidance opportunity especially in the case of multinational companies.

The other problem is almost during every global crisis the willingness for cooperation ceases. Before the conflict between Russia and Ukraine there was a cooperative effort to combat tax avoidance. To achieve the goal all countries should work together while the majority of finances would come from developed countries and tax revenue would be distributed to resource countries. It is not surprising that during previous economic downfalls some jurisdictions mostly focused on internal problems and put aside global sustainability, economic nationalism grew, and existing models of cooperation were threatened (Kahler, 2013). In 2022, the year after the global pandemic and during the Russia/Ukraine conflict according to the CEIC statistics US government debt rose to 126.8 percent of GDP (CEIC Data, 2022). Most of the EU countries have debt to GDP higher than 100 percent. To compare Greece defaulted on its debt when debt to GDP increased from 127% to 179%. Although last year the USA supported OECD minimum global tax initiative (The White House, 2021), the Inflation Reduction Act mentioned above promised to raise more than $700 billion from different sources including from a 15 percent minimum corporate tax on adjusted book income. This tax is applicable to US corporations with average annual adjusted financial statement income above $1B in any applicable three-year period. What is interesting is that the minimum corporate tax clearly addresses internal US problems and is not aligned with Pillar Two. The FACT coalition supporting tax transparency wrote that since the tax is not applied country by country, it therefore increases incentives to offshore investment and profit shifting (FACT Coalition, 2022). Another concern is since the tax is on the book's income, there is an incentive to adjust books to minimize book income. Also, it will be more difficult to reconcile the tax for the shareholders.

These facts are telling us that the fight for tax transparency is not over. Since the national tax debts of developed countries are very similar to ones right after WWII, can we expect a similar tendency toward disintegration and unfair competition? It is still not clear yet if the US authorities in the future align the US global intangible low-tax income (GILTI) and foreign tax credit (FTC) with Pillar Two, but now it looks like a sign of slowing tax transparency and global cooperation movement. On the other hand, on September 9, 2022, five European countries, France, Germany, Italy, Netherlands and Spain reconfirmed intention of moving forward with the minimum tax implementation according to the OECD Agreement in 2023 (Joint Statement by France, Germany, Italy, Netherlands and Spain, 2022).

3 SOCIAL BEHAVIOR AND TAX AVOIDANCE

In 1984 R. Edward Freeman introduced his Stakeholder Theory. In this theory he identified the purpose of business as creating value for its stakeholders, such as employees, customers, communities, investors, and suppliers (Freeman et al., 2012). We can view this theory as an extension of social contract theory, where society members gave up some of their rights to the government. The government in return has an obligation to the society members to protect the members and work for the whole society's good. Or even as the logical extension of the John Donne's philosophical poem that no man is an island, and directly addresses the global sustainability problem. One of the core questions Freeman asks in his 2012 book is how we can understand both business and ethic and align them conceptually and practically.

Tax transparency can be viewed as a part of social contract (Mangoting et al., 2015) and stakeholder theory. Business has to give back to society their "fair" share. The whole society, all stakeholders must ask the government to work on achieving greater sustainability and transparency. The above-mentioned tax avoidance tools create great risk for sustainability and society morale, shifts tax burdens on individual taxpayers and local businesses and shake the whole trust society has in government. The existence or magnitude of the risk is not clear or even visible until times of crises.

It is not a surprise that the global awareness of the problems started in 1989 with the EU tax harmonization attempt after the economic crisis in the 1980s. Unfortunately, first attempts to harmonize taxes failed. Later with the decay of the Soviet Union the crisis was postponed, and the liberation of capital movements accelerated. As we briefly described above, the quantity and availability of tax havens and other tools increased significantly, which stimulated OECD in 1998 to approve the first study of harmful tax competition. Although according to some research like the one done by J.C. Sharman this effort wasn't successful (Sharman, 2011), the report laid the foundation for future development and shed some light on the problem. It became obvious that the first step would be achieving tax transparency.

4 TAX TRANSPARENCY 21ST CENTURY

Later in the 2000s the tax transparency movement started to gain speed. In 1999 the EU published its first Code of Conduct (Code of Conduct for the Members of the European Commission, 1999) and in the next decade in 2006 established the EU's Joint Transfer Pricing Forum. The same decade the EU Capital Requirements Directive IV was signed into law. Under this directive large banks and other financial institutions within the European Economic Area are required to publicly disclose information on a country-by-country basis. In 2015 G20 leaders adopted OECD BEPS Action plan including mandatory non-public country-by-country reporting for multinational companies with income above a certain threshold. In 2017 Norwegian Sovereign Wealth Fund announced a new set of guidelines for its investments in multinational corporations (Norges Bank Investment Management, 2017). Among these requirements is expectation that the multinational companies will publish their country-by-country reports and if not would explain why. In 2018 the first automatic exchange country-by-country reports took place. In September 2019 Global Reporting Initiative organization launched its GRI 207 transparency reporting requirements that call for further public disclosure of tax and other payments to governments in order to achieve the sustainable development goals as defined by the United Nations (Initiative Global Reporting, 2019). In November 2021 the European Parliament approved the EU Directive on public Country-by-Country reporting (CbCR), formally known as the Directive of the European Parliament and the Council amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches (Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches, 2021). Non-European multinational companies doing business in the EU will be required to comply with this reporting requirement. As we mentioned in the beginning of our paper investors joined the government and are asking for more disclosure and making CbCR public. Another organization we haven't mentioned yet is the Principles for Responsible Investment, an independent network of investors, sponsored by the United Nation and helping investors to better understand the effects investing may have on environment, society, and governance (PRI Association, n.d.). This organization recently started pressing the companies to become more transparent on their tax strategies.

As we can see the global multilateral pressure on tax transparency for multinationals is growing. Although in parallel as we can see the law is becoming more complex to comply and understand even for professionals. US minimum tax or OECD initiative Pillar I are very complex to implement and difficult to align with local tax laws. The letter to the members of US Congress stated that "Corporate Book Minimum Tax would be the antithesis of sound tax policy and administration. Its introduction would be neither simple nor administrable and would … increase the incidence of unrelieved double taxation" (Coalition Letter on the Inflation Reduction Act, 2022). Another tendency as we said above is unilateral policies that are not aligned with global tax transparency movements, like tax haven or policies indirectly allowing profit shifting. The groups that now fight with these tendencies are tax authorities, investors, or parties who have knowledge and understanding of tax laws and finances. As we can also see they are always one step behind, having limited resources and needing to push for global cooperation to really succeed.

While tax transparency is still in progress, EU and US companies have mandatory disclosure of certain non-financial information in their financial statements regarding environmental impact, diversity, and other social obligations (Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance, 2014) and (David A. Katz, Laura A. McIntosh, 2022). For example, The US Financial Conduct Authority (FCA) has published a policy statement (PS22/3) setting out rule changes that will require premium and standard listed companies to make disclosures in relation to gender and ethnic diversity at board and executive management level for financial years starting on or after 1 April 2022. In March 2022, the American Securities and Exchange Commission (SEC) released a proposed rule governing climate disclosure for U.S.-listed public companies (both domestic and foreign) amending Regulation S-K and Regulation S-X (SEC, 2022). In November 2021, the International Financial Reporting Foundation (IFRS) announced the foundation of the International Sustainability Standards Board (ISSB). The ISSB intends to develop a global baseline of sustainability reporting standards. The European Financial Reporting Advisory Group published the first set of the European Sustainability Reporting Standards (ESRS).

Some companies with great brand names like Starbucks, Apple, pioneered the movement and showed real concern about environmental impact. Starbucks consistently announces itself as a "deeply responsible company" and stated that they are "focusing on ethically sourcing high-quality coffee and tea, reducing (their) environmental impact, and contributing positively to communities around the world. Starbucks Global Social Impact strategy and commitments are integral to (their) overall business strategy. As a result, we believe we deliver benefits to our stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others''. In 2008 as a result of a financial crisis Starbucks CEO Howard Schultz introduced a "Transformation Agenda'' to address these challenges and to create a rescue plan but confirmed that the company will stay true to its social responsibilities. The plan was a great success and by 2012 its revenue grew by more than 12 per cent. In the same year UK HM Revenue & Custom tax authority noticed that although the company's officials during shareholders meetings described the UK business as highly profitable, but Starbucks paid very little taxes. As Reuter published in 2012 "an average tax rate of 13 per cent, one of the lowest in the consumer goods sector" (Bergin, 2012). This article sparked protests all over the UK. UK social groups organized protests that said "Offering to pay some tax if and when it suits you doesn't stop you from being a tax dodger. This is just a PR stunt straight out of the marketing budget in a desperate attempt by Starbucks to deflect public pressure – "hollow promises on press releases don't fund women's, refuges, or child benefits"… Kara Moses, at the UK Uncut protest in Birmingham, said "So many people have come to this protest because there is genuine public outrage that multinational companies are being allowed to avoid taxes while benefits and essential services are cut. Starbucks' admission that they have not been paying enough tax is a clear admission of guilt and shows that direct action by the public works. We will keep the pressure up to end tax avoidance and these cuts that are devastating women's lives around the country" (UK Uncut, 2021).

The company tried to defend itself by saying that they are investing in the UK economy by building hundreds of new stores, offering thousands of new jobs and creating many other income opportunities for UK companies. The public answered negatively to this explanation, and the company after losing millions in the UK due to protests agreed to pay more taxes than it was legally due (Engskov, 2012). As we said above there was no tax evasion, only unethical tax avoidance, which was very easy to hide because of the lack of tax transparency, and complexity of interborder transactions. No public, neither minority shareholders had enough knowledge and information to call the company on unethical decisions. Lack of transparency and training on global financial sustainability created risks for the shareholders and the company, while the local government lost income tax revenue.

As we said in the beginning of our paper many wealthy individuals and multinational companies enjoy a comparatively low effective tax rate (World Inequality Report, 2022). Although when it is getting exposed to the public, the companies feel social pressure to give an explanation of such an arrangement. For example, On November 6, 2017, in response to questions from the ICIJ, the New York Times and others, Apple had to issue a letter explaining its tax policy emphasizing that their subsidiaries in Ireland and Jersey created many jobs and were set up "specifically to ensure that tax obligations and payments to the US were not reduced" (Apple, 2017), mentioning deferred taxes in such jurisdictions and taxes paid. The same month on November 5, 2017, the Institute on Taxation and Economic Policy issued a fact sheet on Apple's tax avoidance (Institute on Taxation and Economic Policy, 2017). These two letters while both mentioning deferred taxes, contradict one another and are very difficult to reconcile for untrained individuals. The Apple letter is lacking transparency and country-by-county information on paid taxes as a percentage of revenue, which makes it difficult for the public as well as minority shareholders to understand the risk associated with unpaid tax obligations. This is the reason, why as well as Amazon shareholders, Apple's shareholders keep pushing the company for more transparency on social matters. Microsoft and Cisco shareholders are following the same path asking for voluntary disclosure. Most of the companies use the same excuses as Starbuck in its open letter referring to creating jobs and other than income taxes that are paid in such jurisdictions, which indicate that whoever wrote the letters clearly lacked global financial sustainability understanding and training.

5 STAKEHOLDERS EDUCATION ON TAX SUSTAINABILITY

While jurisdiction tax authorities and shareholders organizations, like ISSB have their voices and push for the public financial disclosure to address investors or authorities needs and concerns regarding risks and sustainability of the shareholders and jurisdictions, the other stakeholders, private citizens, are mostly unaware of the issues with some exceptions like the Starbucks case we mentioned above when the UK tax payments of the company were exposed to the public and explained in plain language to the public. Such standards as GRI addressing the companies' impact on the economy, environment and people are from the multi stakeholder perspective in comparison with investors oriented and, are mostly unknown or misunderstood by the general public to the point that some companies and even authorities are opposing complete public tax transparency, considering it may be harmful for the business, disturbs fair competition and the general public will not be ready to comprehend all the complexity of business[2].

2 See the article written by Justin Huskins in August 2022 for Fox Business News and referring to ESG as a leftist corporate attempt to control how people live. The legislation proposed by the Florida's Governor would allow State Board of Administration to focus only on maximizing the return on investments.

The last one is a valid concern. In 2002 Jan Aart Scholte stated that "the vast majority of citizens across the world have scarce if any awareness of the rules and regulatory institutions that govern global finance. Few governments, mass media organizations or schools have taken initiatives of public education to improve this sorry situation. Likewise, limited efforts by civil society groups to inform citizens about global finance have generally not reached large circles. Even academic textbooks on globalization often omit a chapter on the governance of global finance" (Scholte, 2002). Even less information the public has about the regulations. After 20 years the situation hasn't changed a lot. Even in 2022 we are still asking, although governments and nonprofits (NGOs) are pushing for more tax transparency, would the public be able to comprehend the reports without proper training or should there always be a middleman explaining the statements in plain language? A survey that Lusardi and Mitchell designed for Health a retirement study, and which included a special module on financial literacy and retirement planning showed that less than a third of Americans older than 50 understood the concepts of inflation and interest rates and had basic knowledge of risk diversification (Lusardi & Mitchell, Financial Literacy Around the World: An Overview, 2011). Findings from a FLAT world survey conducted around 15 countries showed "that financial literacy is very low around the world, irrespective of the level of financial market development and the type of pension provision" (Lusardi & Mitchell, Financial Literacy Around the World: An Overview, 2011). While as we demonstrated that lack of tax transparency and tax avoidance are the well-known issues there were very little positive changes in this direction. Even such companies as Shell, who adopted GRI207 reporting standards, and stated that "Shell does not condone, encourage or support tax evasion, and is committed to implementing procedures to prevent anybody employed or contracted to Shell or acting on Shell's behalf facilitating the evasion of tax" (Shell), according to the latest report "in 2018 and 2019, Shell earned more than $2.7 billion - about 7% of its total income in those years - tax-free by reporting profits in companies located in Bermuda and the Bahamas that employed just 39 people and generated the bulk of their revenue from other Shell entities", company filings show "massive tax savings for royalties when Dutch SPEs are used as an intermediate station compared to direct flows between the origin and destination country" (Tom Bergin, Ron Bousso, 2020). While tax avoidance is legal, tax authorities are less equipped than their contenders and the public is in majority uneducated about tax, tax sustainability cannot be reached even if the transparency is achieved, though the transparency is the mandatory step. In the case of Starbucks only public interference made it possible for the government to collect more and "fair" tax revenue since all the tax arrangements were legal. One of the latest studies highlighted that the problem of tax avoidance cannot solved if there is disagreement over the normative standpoints on the matter (Mayer & Gendron, 2022). In the case of Starbucks citizens and the press relied on different norms in evaluating and precepting the problem and succeeded. The UK HM Revenue & Customs went further starting a campaign "Tax avoidance: don't get caught" to educated individual taxpayers on tax avoidance schemes, specifically connected with personal service companies (Her Majesty's Revenue & Custom, n.d.). They also wrote to all customers suspected of being involved in the scheme. The UK Government clearly sees the benefits of appealing to individual taxpayers educating them on tax avoidance matters, when laws don't always work. Research made by Michael Razen and Alexander Kupfer confirms the observations. According to the research the individual taxpayers who are educated (given "additional" information) on the cost of tax avoidance in addition to basic knowledge that certain companies avoiding taxes do adjust their buying behavior, and companies are sensitive to this information (Razen & Kupfer, 2021).

Although institutional investors' awareness of ESG is growing, ESG reports in general and such reports as GRI 207 although intended for all stakeholders are going mostly unnoticed by the general public (Fukuyama et al., 2018). Very little was done to educate the public about the reports, while there are plenty of training resources for tax administration on report submission. Tax transparency is a great tool to fight tax avoidance when all stakeholders are formally educated on tax matters and social contract theory (Mangoting et al., 2015) and the public is aware of the issues. One of surveys done to assess the awareness of Portuguese and Swiss individual taxpayers of the various tax matters tested voluntary tax compliance. It is interesting to note that the majority of the respondents agreed with the statement that they pay taxes because "they regard it is as their duty as citizens", while the lowest score receiving answer that they pay taxes because "it is obvious that this is what you do" (Rodrigues et al., 2019), which may be viewed as indirectly confirming out hypothesis that social contract theory is the valuable and irreplaceable part of taxpayers education.

In 2019 UNESCO issued a report on the current progress on climate change education, training, and public awareness (United Nations Educational, Scientific and Cultural Organization, 2019). In general, while most governments were more or less successfully raising the awareness of environmental issues, and "settings a range of climate change education target audiences … in formal education settings (primary, secondary, or tertiary education or formal education generally), … the next largest sector being the 'public and other' audiences". The financial sustainability movement started approximately the same decade as the environmental movement, but as we demonstrated above with somewhat less success. Tracing a parallel between environmental impact and financial sustainability[3] education and training should be done starting with elementary school and further through all levels of formal education. The research done among 142 countries show that the "quality of overall education, quality of math and science education, and quality of management schools are all influential in curbing tax evasion" (Uyar et al., 2022). While most people are aware about pollution, clean water, greenhouse gases, and the amazon forests problem and actively expect mandatory and voluntary reporting on environmental protection, a much lesser percentage has even a basic understanding of international taxation and tax avoidance tools, while having the instinctual understanding of what "fair" taxes are.

While many multinationals prefer not to disclose openly their tax avoidance techniques, it would be very interesting to research if the public would oppose "too high" taxes as much as "not enough" taxes. Fair contribution is giving back to society, such as who invested in the education of employees, built roads, improved the environment in addition to companies that establish factories, create jobs and produce products. In our opinion multinational companies should be the first to invest in tax transparency and financial education of individual taxpayers, especially in such countries as the US, where most of the policies are bottom up, initiated by nongovernmental organizations fighting for fair treatment of all stakeholders.

6 CONCLUSION

Tax transparency is a road that eventually should bring us to global financial sustainability. The OECD, UN, EU and local governmental and non-governmental initiatives, like public country-by-country reporting, GRI207 and similar reports are effective and workable tools to increase transparency and gain trust among investors. Although, given the complexity of the legislative standards, ambiguous understanding of tax morality especially in term of multinational companies, financial crisis that can potentially lead to disintegration, the most substantial way to achieve the desired result is to simultaneously with tightening current laws and loopholes and pushing for voluntary and mandatory reporting, develop a plan to formally educate and train current and future tax payers on financial sustainability

3 Many scholars stressed the interrelation between these two issues. See "Environmental Sustainability and the Financial Crisis: Linkage and Policy Recommendations" published by The Center for International Governance Innovation.

matters and tax morality. Stakeholders and social contract theories, and global sustainability are interrelated concepts, working models to boost global morale, because ultimately global sustainability is the result of individual moral choices.

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