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# Advancing fiscal transparency in Latin American countries: new findings in reports on tax sustainability in Chile

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## Abstract

**Purpose** – The objective of this study is to generate new fiscal transparency indicators based on fiscal sustainability reports voluntarily disclosed by Chilean companies, leaders in Latin America in the issuance of green, social and sustainability corporate bonds (OECD, 2023a; OECD, 2018).

**Design/methodology/approach** – The sample included the analysis of sustainability reports of 30 Chilean companies with the highest market capitalization published in the period 2021. A correlation was carried out for each of the companies in the sample with the intention of detecting differences between several groups of paired dichotomous variables. For this, Cochran's Q test was used; the McNemar test; the Friedman test; the Wilcoxon test; the Levene test and the Kruskal−Wallis test were also used.

**Findings** – In the case of the companies in the sample, for the 2021 period there was an increase in disclosures of tax strategies compared to the study carried out by Faúndez-Ugalde *et al.* (2022) for the period



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2020. However, there is still a lower degree of compliance in reporting fiscal risks and "country by country" information.

**Practical implications** – The commitment of companies to assume tax transparency standards improves their behavior in compliance with their tax obligations and provides greater certainty to develop actions to mitigate their tax risks.

**Social implications** – The results demonstrate practical implications, where fiscal sustainability reports can enhance the work of tax administrations by defining indicators of good fiscal practices.

**Originality/value** – This study expands the research on the fiscal sustainability standards of Chilean companies, thus providing a deeper understanding of their performance regarding fiscal transparency.

**Keywords** Tax sustainability, Tax transparency, Standard GRI, Tax strategy, Tax compliance

**Paper type** Research paper

## 1. Introduction

In 2015, the United Nations General Assembly approved resolution 70 / 1 on "Transforming our world: the 2030 Agenda for Sustainable Development" (United Nations, 2015), declaring the need to strengthen the mobilization of internal resources, including through the provision of international support to developing countries, to improve national capacity to collect tax and other revenues. In this way, within the public income collected by the financial activity of the state, taxes constitute the main source of financing of fiscal expenditure.

At the OECD level, the Global Forum on Transparency and Exchange of Information for Tax Purposes is about putting an end to bank secrecy and tax evasion through global tax cooperation (Schoueri and Barbosa, 2013). Under this initiative, on November 19, 2018, the "Declaration of Punta del Este" (Uruguay) was approved, in which 15 Latin American countries participated, aimed at developing a fiscal transparency program focused on Latin America, maximizing the effective use of information exchanged between tax administrations to tackle tax evasion, corruption and other financial crimes, and enhance international tax cooperation to counter practices that contribute to financial crimes (OECD, 2018).

Thus, the Global Forum's tax transparency program includes two standards intended for the transfer of taxpayers' tax information. The first standard is the "Exchange of information on request" (EOIR), where a tax authority can request a particular piece of information to progress a tax investigation. The second provides for the international "Automatic exchange of information" (AEOI), where a predefined set of information on financial accounts held by nonresidents is automatically exchanged each year (OECD, 2024). However, a recent OECD report (OECD, 2022a), showed progress in the use of these information exchange tools for the period 2021, pointing out that challenges continue to exist and the results still show uneven results. For the 2022 period, the evidence from the OECD (OECD, 2023b) follows the same trend as the previous period, stating that the difficulty arises in that tax auditors still have a medium degree of knowledge about information exchange tools.

Recently, tax transparency tools voluntarily promoted by taxpayers themselves have been positioned in Latin America; we refer to fiscal sustainability reports. Thus, we maintain that these standards of good tax practices disclosed by taxpayers can be integrated into the information exchange systems developed by tax administrations, generating validations of certain fiscal transparency indicators that can contribute to the fight against tax evasion and tax avoidance. This is the objective of this study, that is, to analyze the practical and social implications that Latin American countries have had in terms of fiscal transparency since the Punta del Este Declaration of 2018 and generate integration mechanisms between the exchange of information between tax administrations and taxpayers' fiscal sustainability reports. To meet this objective, a theoretical construction is proposed aimed at establishing indicators for fiscal transparency that allow

strengthening the work of the OECD in Latin America, based on the international standards on sustainability promoted by the Global Reporting Initiative (GRI). Likewise, new findings obtained from sustainability reports published in the 2021 period by Chilean companies with the highest market capitalization will serve as background. Thus, the results reveal a significant increase in voluntarily disclosing tax strategies, reaching 54% of the companies in the sample.

Section 2 presents the advances in fiscal transparency in Latin American countries. Section 3 analyzes tax sustainability reports regarding tax evasion and tax avoidance. Section 4 presents the indicators for fiscal transparency based on fiscal sustainability reports. Section 5 reveals new findings in sustainability reports in Chilean companies. Section 6 presents and discusses the results. Finally, the conclusions are presented in Section 7.

## 2. Progress in fiscal transparency in Latin American countries

The Punta del Este Declaration of November 2018 was a relevant milestone for Latin American countries aimed at maximizing the effective use of information exchanged within the framework of international standards of fiscal transparency to deal with tax evasion, corruption and other financial crimes (OECD, 2018). In the particular case of Mexico, the tax administration has generated an increase in tax auditors in the Information Exchange Unit. Thus, thanks to the EOIR, Mexico reported an additional €528m for the period 2022. For the same period, the tax administration of Ecuador developed training in information exchange for control processes and to treat information with appropriate confidentiality. In the case of Peru, nearly 600 individuals with financial information abroad have received notifications from the tax administration, generating an increase in their income from foreign sources in the period 2022 by 53% compared to the average of the previous four years. The tax administration of Argentina resorted to AEOI and EOIR, detecting financial accounts with co-owners, allowing it to corroborate that 100% of them belonged to taxpayers residing in Argentina, being obliged to pay taxes in said country. For the same period in 2022, the Colombian tax administration received 33 AEOI requests, then carrying out a matching process to fully identify the taxpayers; those who did not voluntarily present themselves, audit processes were initiated requesting additional information.

Although the efforts of the OECD have been relevant to advance in fiscal transparency, there are still commitments pending to be fulfilled by the Latin American member countries of the Global Forum. Likewise, the mechanisms for exchanging information between tax administrations do not offer the possibility of integrating other antecedents that arise from good fiscal practices assumed by taxpayers, as is the case of fiscal sustainability reports. As will be seen later, these sustainability reports constitute voluntary mechanisms for the disclosure of tax strategies, accounting for tax risks assumed by companies, as well as consolidated tax information that comes from other legislation or "country by country." In conclusion, there is no evidence from Latin American tax administrations that the fiscal sustainability reports of taxpayers have been considered as a variable in the exchange of information.

It is important not to confuse such inclusive voluntary disclosure mechanisms with voluntary disclosure programs (VDPs). The latter are oriented so that taxpayers report to the tax administration, voluntarily and in a timely manner, income not declared in previous years (OECD, 2010; OECD, 2015), that is, VDPs offer a pathway for taxpayers to regularize their status, facilitating the collection of missing revenue for governments through limited administrative resources (OECD, 2021). Without prejudice to the fact that from 2009 to 2022 seven Latin American countries have identified at least €22,936m in additional income (taxes, interest and sanctions) from the application of VDPs (OECD, 2023b), these are not permanent mechanisms and do not promote the integration of joint dissemination activities between taxpayers and tax administrations.

It is also important to consider the OECD report entitled "Tax Morale II: Building Trust between Tax Administrations and Large Businesses" (OECD, 2022b), published in 2022, by virtue of which 1,240 interviews were conducted with tax administration officials from 138 jurisdictions of countries in development to comment on their perceptions about the adherence of multinational companies to the "Statement of best tax practices to interact with tax authorities," promoted by the Business at OECD (BIAC) (Business at OECD, 2013). Among the most relevant conclusions of the report can be summarized in two: first, that the behavior of companies is perceived more positively in the OECD countries and in Asia than in Africa and Latin America and the Caribbean; and, second, public officials' perceptions of the behavior of the Big Four Audit Firms (Deloitte, EY, KPMG and PricewaterhouseCoopers) show quite similar results to perceptions of multinational companies; thus, the Big Four Auditors are generally considered to be formally cooperative, but are much less likely to follow the spirit or intent of the laws, or to promote only tax planning aligned with the content.

The conclusions of the OECD report show the need to specify actions and commitments by tax administrations and companies with a view to generating mutual trust (Faúndez-Ugalde, 2022a). Thus, tax sustainability reports arise with the purpose of voluntarily making taxpayers' tax strategies transparent, integrating these actions into the public function of tax administrations. An example of this has been the Board of Taxation of the Australian Government, who in 2016 developed a Voluntary Tax Transparency Code (TTC) in conjunction with a working group made up of representatives from the Australian Taxation Office (ATO), Treasury, academy, businesses and professional firms, becoming one of the most advanced and comprehensive tax transparency regimes in the world (The Board of Taxation, 2019).

In Latin America, the Ministry of Finance of the Government of Chile has had an important initiative, presenting in 2024 a bill that incorporates for the first time in the Tax Code, a regulation aimed at complying with international standards on tax sustainability, based on principles of transparency, collaboration and good faith (Faúndez-Ugalde, 2022b).

Thus, advances in fiscal transparency in Latin America have focused on matters of banking secrecy and transfer of information between tax administrations; however, the results have not been encouraging in establishing fiscal policies related to integrated voluntary mechanisms, such as the case of sustainability reports, which can become essential indicators for audit processes developed by tax administrations, as will be seen below.

## 3. Tax sustainability reports against tax evasion and tax avoidance

Wahab *et al.* (2022) have stated that, today, sustainability reporting has become a corporate fashion where corporate social responsibility (CSR) is embodied, understood as the corporate contribution, as part of society to benefit society, upon making profit out of doing business. CSR is an international concept first introduced by Bowen in the 1950s (Carroll and Shneider, 1985). Thus, CSR has marked interest in multinational companies from more than 58 countries, publishing annual sustainability reports that highlight their dedication to high ethical values and CSR (KPMG, 2022).

Although tax avoidance and tax evasion have becoming topic of interest in corporate world for their said contribution to the reduced tax collection (Wahab *et al.*, 2022; Finér and Ylönen, 2017; Dallyn, 2017; Jenkins and Newell, 2013), the impact that sustainability reports can generate on this phenomenon is still an unresolved issue at the literature level, varying according to the legal and institutional environment of different countries (Zeng, 2019). Furthermore, CSR is an ambiguous concept, and both its contents and subsequent implications are perceived differently by various sectors of society (Joutsenvirta, 2011). Also, there are major disagreements about whether corporate taxation should be considered

an element of CSR or how the relationship between these two should be interpreted otherwise (Ylönen and Laine, 2015).

A study conducted by Hoi *et al.* (2013) using a large sample of US public firms over the period 2003–2009, it was established that firms with more irresponsible CSR activities, particularly those with excessive irresponsible CSR activities in a given year, have a higher probability of engaging in tax sheltering, greater discretionary/permanent book-tax differences and a lower cash effective tax rate, after controlling for firm performance, earnings quality, corporate governance, industry effect, year effect and other factors influencing tax avoidance. Zeng (2016), analyzing Canadian companies, found that the higher a company's CSR rating is, the less likely it is to be tax aggressive. Mao and Wu (2019), using data from publicly traded Chinese companies practicing CSR activities between 2009 and 2016, determined that corporate profitability serves as a full mediator in the association between CSR performance and corporate tax avoidance. That is, CSR performance first reduces corporate profitability, and therefore results in lower corporate tax avoidance.

On the other hand, Lanis and Richardson (2013), considering an choice-based sample of 40 Australian corporations, the study used paired-sample statistics, Pearson correlation analysis and OLS regression analysis, concluding that fiscally aggressive corporations have greater CSR disclosures to alleviate potential public concerns arising from the negative impact of their tax aggressiveness on the community, and to show that they are meeting community expectations in other ways. However, the same authors, in a study published a year earlier, concluded the opposite. They examined the association between CSR and corporate tax aggressiveness, based on a sample of 408 publicly listed Australian corporations for the 2008 / 2009 financial year, concluding that the higher the level of CSR disclosure of a corporation, the lower is the level of corporate tax aggressiveness (Lanis and Richardson, 2012). The discussion is still in force, and it is not a subject with an easy solution. Fallan (2015) indicates that the conflicting findings of Lanis and Richardson provide important input for validity considerations that should be welcomed on a maturing research field.

The above makes evident the relevance that CSR assumes as a measure of fiscal transparency, however, it is also true that companies assume significant costs to incorporate good tax practices, factors that must be considered by tax administrations in a context of trust with taxpayers. Thus, the tax agencies should also ensure that interaction with taxpayers is as smooth as possible, with an emphasis on facilitating voluntary taxation compliance (ECLAC, 2023). Furthermore, it is necessary to keep in mind that Latin American countries are facing decelerated economic growth, with the associated danger of decreasing confidence and further reducing compliance with regulations and payment of taxes (OECD, 2020).

## 4. Indicators for fiscal transparency from fiscal sustainability reports

The compliance programs or systems adopted by companies have evolved remarkably in recent years worldwide. Thus, according to a study presented by Navex Global in 2021, “mature and advanced” compliance programs grew by 29%, while the number of “reactive and basic” systems decreased by 35%, compared to the previous period (Navex Global, 2021). In this context, at the international level the trend has been to generate an integrated approach to sustainability with compliance. An example of this has been establishing links between the GRI 207 (GRI, 2019) sustainability reports with ISO 37,301:2021 on compliance management systems (ISO, 2021), with the understanding that compliance with standards is a fundamental assumption for generating sustainable organizations over time.

It has been proposed that sustainability is realized through CSR (Wahab *et al.*, 2022), whose indicators have been promoted in Latin America in the past 20 years considering ESG

standards. An example of this has been the study carried out by INCAE (2023), establishing CSR categories classified into internal and external dimensions.

Among the internationally known sustainability reports is the "Dow Jones Sustainability Index" (DJSI), launched in 1999, which evaluates the largest companies in the world listed on the Stock Exchange through its Corporate Sustainability Assessment (CSA). Since 2017, the Dow Jones Sustainability Index MILA Pacific Alliance has been created, which evaluates the level of sustainability in Brazil, Chile, Colombia, Mexico and Peru. In 2014, the DJSI agreed to incorporate the evaluation of the companies' tax strategy. However, in recent years, Latin American countries have opted, for the most part, to apply sustainability reports in accordance with the GRI regulations (GRI AG Sustentable, 2021) and in the case of tax sustainability, through the GRI 207 standard, published in 2019 and valid since 2021 (GRI, 2019), whose dimensions can be seen in Table 1. This trend in Latin America has been maintained during 2022 according to the latest OECD report (OECD, 2023a).

**Table 1.** Dimensions of the GRI standard

| |
|---|
| *Dimension 1: GRI 207-1* |
| 1.1. Reports summary of tax strategy |
| 1.2. Fully reports the tax strategy |
| 1.3. Reports commitment in tax compliance |
| 1.4.1. Reports economic and social impact of the tax strategy |
| 1.4.2. Tax approach is consistent with sustainable development commitments |
| *Dimension 2: GRI 207-2* |
| 2.1.1. Identifies the executive responsible for tax strategy |
| 2.1.2.1. Develop trainings |
| 2.1.2.2. Report incentives to executives |
| 2.1.2.3. Plan succession of tax executives |
| 2.1.2.4. Participate in tax transparency initiatives with stakeholders |
| 2.1.3.1. Report tax risks |
| 2.1.3.2. Reports supervision of tax risks |
| 2.1.4. Reports supervision of tax executives |
| 2.2. Reports the mechanisms for reporting illegal behavior |
| 2.3. Reports audit processes in tax matters |
| *Dimension 3: GRI 207-3* |
| 3.1.1. Reports commitments with tax authorities |
| 3.1.2. Reports focus on the defense of tax policies |
| 3.1.3. Reports processes to collect stakeholder opinions |
| *Dimension 4: GRI 207-4* |
| 4.1. Reports all resident jurisdictions for tax purposes |
| 4.2. Reports tax information for each jurisdiction |
| 4.2.1. Names of the resident entities |
| 4.2.2. Primary activities of the organization |
| 4.2.3. Number of employees, and the basis of calculation of this number |
| 4.2.4. Revenues from third-party sales |
| 4.2.5. Revenues from intra-group transactions with other tax jurisdictions |
| 4.2.6. Profit/loss before tax |
| 4.2.7. Tangible assets other than cash and cash equivalents |
| 4.2.8. Corporate income tax paid on a cash basis |
| 4.2.9. Corporate income tax accrued on profit/loss |
| 4.2.10. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax |
| 4.3. Reports period of the information delivered |

**Source:** GRI (2019)

The GRI 207 standard, in addition to the requirement to disclose tax strategies by taxpayers, addresses the disclosure of information referring to the corporate structure that supports these programs. The importance of the supervisory functions that correspond to the highest government body of companies in the tax field is highlighted, an issue that is essential to guarantee the effectiveness of compliance systems (Toso, 2021; Galbreath, 2017). In addition, entities are invited to report on the delegation of responsibilities by said body to executives of the organization in matters of tax compliance, highlighting the figure of the internal auditor, who is in charge of evaluating risk management processes, as well as the solidity and diligence of the measures adopted to mitigate them (Muneerali *et al.*, 2022). Thus, in accordance with said tax standard, it must be reported how entities identify, manage and supervise tax risks, following a materiality criterion, that is, placing emphasis on those most relevant or significant risks for companies, an issue that is not always easy to establish (GRI, 2019, 2022; Ruqun *et al.*, 2018).

In this way, through tax compliance systems we aim to create a solid culture of tax compliance within companies, being a key indicator to measure taxpayer risk. A study carried out by Hammond and Cowan (2022) established that 47% of respondents and 64% of the globally important banks consulted considered that the implementation and accreditation of the existence of a compliance culture constituted one of the major issues in those that organizations would address in 2022. In this sense, it has been established that entities with good organizational behavior tend to be more profitable (Xi *et al.*, 2022; Colquitt *et al.*, 2019; Fu *et al.*, 2022). However, in Latin American countries there is usually no obligation for companies to have tax compliance programs. Despite this, the voluntary initiatives undertaken in this field make it possible to contribute to the generation of indicators regarding compliance. Likewise, its disclosure may influence the decisions made by investors and produce a positive impact on the reputation of organizations (Cox *et al.*, 2004).

Macellari *et al.* (2021) point out that, through the dissemination of information on sustainability, entities seek to achieve social legitimacy, which in turn carries the risk of incurring in bluewashing practices (Berliner, 2015). In this context, "paper compliance" should be avoided, that is, one that is adopted with the purpose of making an organization appear formally compliant, in circumstances that it lacks an effectively implemented program. To prevent this type of situation, the GRI 207 standards highlight the importance of having effective instances of external verification of the information provided to the market regarding the tax policies of companies. This is closely related to the notion of "sustainability accounting" and the challenges it entails (Gil-Marín *et al.*, 2022; Ascani *et al.*, 2021; Tettamanzi *et al.*, 2022). In this regard, periodic audits related to tax compliance and disclosure guidelines also help entities to improve their results (Kasper and Alm, 2020; Thottoli, 2021).

Below we will see the particular case of Chilean companies with a greater stock market presence, which report the GRI 207 standard, which will allow us to specify fiscal transparency indicators that can be useful for tax administrations in the fight against tax evasion and tax avoidance.

## 5. New findings in sustainability reports in Chilean companies

While we agree that corporate reporting practices concerning community involvement, the natural environment, energy, work environment/human resources, customers, products, social issues, corruption, etc. vary significantly (Fallan, 2015; Branco and Rodrigues, 2008; Deegan *et al.*, 2000; Gray *et al.*, 1995). In the case of Chile, the main companies with a stock market presence, the tendency has been to adopt the GRI standards. As previously indicated, the OECD (OECD, 2023a) reported in 2023 that the companies that represent 83% of the market capitalization in Latin America maintain the tendency to voluntarily disclose information on

sustainability, where Chilean companies have positioned themselves in first place in raising US$14.8bn in GSS corporate bonds, followed by Mexico with US$13bn. Particularly in Chile, by 2020, of the total number of companies registered in the Selective Stock Price Index (IPSA), 82.1% publish sustainability reports using the GRI standard (Faúndez-Ugalde *et al.*, 2022), a trend that has been maintained during 2022 from according to the latest OECD report (OECD, 2023a).

In this way, Chile becomes one of the leading Latin American countries in sustainability issues, whose study allows providing a current trend on the possible indicators that can be considered by tax administrations in tax audit processes.

## 6. Methods

The sample included the analysis of sustainability reports of 30 Chilean companies with the highest market capitalization published in the period 2021, considering for this purpose the international standards promoted by GRI. This sample will allow comparison with the results obtained in the study carried out for the 2020 period by Faúndez-Ugalde *et al.* (2022), where the same 30 Chilean companies with the greatest stock market presence were analyzed according to the IPSA. The companies under study correspond to Aesgener, Aguas-A, Andina-B, Banco de Chile, Banco Itau, Banco Santander, CAP, CCU, Cencoshopp, Cencosud, CMPC, Colbun, Concha y Toro, Copec, Corporación BCI, ECL, Enel Américas, Enel Chile, Entel, Falabella, IAM, ILC, Mall Plaza, Parque Arauco, Ripley, SMU, Sonda and SQM, which present sustainability reports considering the international standards published by GRI. On the other hand, the companies security and CSAV do not report GRI 207 standards.

A correlation of each of the sample companies was carried out with the disclosure GRI 207 dimensions shown in Table 1 with the intention of detecting differences among various groups of dichotomous matched variables. For this, the Cochran Q test was used, as is the case of Okeh *et al.* (2016) that demonstrates the use and effectiveness of this method in data analysis.

The McNemar test was also essential for the analysis of data from various groups (Pembury and Ruxton, 2020) and for smaller data samples ($N < 25$), a binomial test is applied, which allows the study of differences between the two groups of dichotomous variables with matched data (Abdi, 2008; van der Linden, 1979). The Friedman test (Friedman, 1940) is used in the case of not normally distributed data, as an alternative to Anova must be looked for to contrast if the different groups are equally distributed based on dependent data (Kim, 2014). In the same situation, it was necessary to have a nonparametric test different from *t*-test (Mishra *et al.*, 2019) to contrast if two samples come from an equally distributed population. The Wilcoxon test was administered for this purpose (McElduff *et al.*, 2010; Taheri and Hesamian, 2013). The Levene test was also used to verify the homogeneity of variances (Carroll and Shneider, 1985). Finally, to contrast if different groups were equally distributed without depending on the data, the Kruskal−Wallis test was used, which has been used in other educational centers (Vargha and Delaney, 1998). This decision was made based on the lack of normality presented by the distribution of groups.

## 7. Results and discussion

### *7.1 Dimension 1: GRI 207-1*

GRI 207-1 disclosure emphasizes the transparency of the tax strategy, where the taxpayer can present a summary of said strategy (1.1) or report it in full (1.2). It also considers the possibility of declaring its commitment to compliance with the letter and spirit of the tax law (1.3), as well as the economic and social impact that the tax strategy can generate (1.4.1) and if it is consistent with sustainable development (1.4.2). In this way, the sum of compliance

with the substandards by each company for the period 2021, we find the following information in Table 2, where five substandards (1.1, 1.2, 1.3, 1.4. 1 and 1.4.2) evaluated, the average compliance by the companies is 2.7, which is equivalent to an average of 54% of the companies complying with the GRI 207-1 disclosure assessments. Eight companies are observed with compliance with all the standards of Dimension 1.

To verify this difference between the substandards, an analysis considering the dependence of what is informed by the companies in each substandard was carried out. This takes us to apply a Cochran Q test to determine if the proportion of companies complying (or not) is the same in the different substandards, focusing as well in the variation of the different companies between one substandard and other. This process shows that the compliance of at least two substandards is different ($p$-value $4.171 \times 10^{-10}$). The binomial test (replacing McNemar due to the number of data) in pairs was applied to verify the different groups. The $p$-values of this test can be seen in Table 3.

A significant change in the level of compliance of the companies is observed in substandard 1.3 compared to the rest of the substandards. The same situation occurs in substandard 1.4.1, except when analyzed with substandard 1.4.2, where there is no significant change. No difference in the groups was found in substandard 1.1, 1.2 and 1.4.2 and Cochran Q test ($p$-value 0.3679).

In this way, substandard 1.3 would have a significantly higher compliance in the studied companies compared with the rest of the evaluated substandards of the sample. Besides, the substandard 1.4.1 would have a lower compliance in relation to most of the substandards.

### *7.2 Dimension 2: GRI 207-2*

GRI 207-2 disclosure considers the management and control of tax risks, for which it requires identifying the executive responsible for the tax strategy (2.1.1), who must be trained in tax sustainability (2.1.2.1); inform if there are economic incentives for said executives and their teams (2.1.2.2); a succession plan in the functions to be carried out by executives (2.1.2.3); report participation in tax transparency initiatives with stakeholders (2.1.2.4). Likewise, it requires the implementation of methodologies to identify and mitigate tax risks (2.1.3.1 and 2.1.3.2); present supervision reports of tax executives (2.1.4); a complaints channel (2.2) and reports on tax audit processes (2.3).

**Table 2.** Descriptive measures GRI 207-1

| Mean | SD | Median | Min. | Max. |
|---|---|---|---|---|
| 2.7 | 1.9 | 2.5 | 0 | 5 |

**Source:** Authors' own creation

**Table 3.** Group pair binomial $p$-value test for each GRI 207-1 substandard

| | 1.1 | 1.2 | 1.3 | 1.4.1 |
|---|---|---|---|---|
| 1.2 | 1 | | | |
| 1.3 | 2.E-04 | 2.E-04 | | |
| 1.4.1 | 3.E-02 | 3.E-02 | 3.81E-06 | |
| 1.4.2 | 1 | 1 | 1.2E-04 | 0.13 |

**Source:** Authors' own creation

The sum of the compliance of the substandards in each company, the information shown in Table 4 was determined. Out of the ten substandards evaluated (2.1.1, 2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.3.1, 2.1.3.2, 2.1.4, 2.2 and 2.3), the compliance average of the companies is 2.13, which means that, on average, the companies complied with 35% of the evaluations in terms of disclosure GRI 207-2. Five companies are observed with compliance with only one substandard and three with the maximum compliance with eight substandards.

To verify if the difference among the substandards is statistically significant, a test is carried out considering the dependence of what has been informed by the companies in each substandard. This leads us to apply a Cochran Q test to determine if the proportion of companies which comply (or not) is the same in the different substandards, focusing, at the same time, in the variation of the different companies between one substandard and other. This reveals that the fulfillment of at least two substandards is different ($p$-value $< 2.2 \times 10^{-6}$). To achieve this purpose, a binomial pair test was applied to verify different groups (replacing McNemar due to the number of data). The $p$-value of this test is seen in Table 5.

It can be observed that the level of compliance of the companies in substandard 2.2 and 2.3 in relation to the other substandards changes the performance of the companies significantly. But also, in the other substandards they also have different behaviors, with varying compliance for each substandard.

### *7.3 Dimension 3: GRI 207-3*

The reports required by GRI 207-3 disclosure refer to the commitment with tax authorities (3.1.1), the defense of tax policies (3.1.2) and the process of collecting opinions from stakeholders (3.1.3). The sum in the compliance of the substandards in each company, the information shown in Table 6 was found out. Out of the three substandards (3.1.1, 3.1.2 and

**Table 4.** Descriptive measures GRI 207-2

| Mean | SD | Median | Min. | Max. |
|---|---|---|---|---|
| 3.5 | 2.5 | 2 | 0 | 8 |

**Source:** Authors' own creation

**Table 5.** Group pair binomial $p$-value test for each GRI 207-2 substandard

| | 2.1.1 | 2.1.2.1 | 2.1.2.2 | 2.1.2.3 | 2.1.2.4 | 2.1.3.1 | 2.1.3.2 | 2.1.4 | 2.2 |
|---|---|---|---|---|---|---|---|---|---|
| 2.1.2.1 | 0.001 | – | – | – | – | – | – | – | – |
| 2.1.2.2 | 0.004 | 0.625 | – | – | – | – | – | – | – |
| 2.1.2.3 | 5.E-04 | 1.000 | 0.250 | – | – | – | – | – | – |
| 2.1.2.4 | 0.125 | 0.016 | 0.063 | 0.008 | – | – | – | – | – |
| 2.1.3.1 | 0.125 | 0.031 | 0.219 | 0.016 | 1.000 | – | – | – | – |
| 2.1.3.2 | 1.000 | 5.E-04 | 0.002 | 0.000 | 0.063 | 0.031 | – | – | – |
| 2.1.4 | 0.688 | 0.004 | 0.039 | 0.002 | 0.688 | 0.453 | 0.375 | – | – |
| 2.2 | 3.E-05 | 0.E + 00 | 1.E-07 | 0.E + 00 | 2.E-06 | 1.E-06 | 6.E-05 | 8.E-06 | – |
| 2.3 | 0.002 | 1.E-06 | 4.E-06 | 5.E-07 | 1.E-04 | 6.E-05 | 0.004 | 0.002 | 0.031 |

**Source:** Authors' own creation

**Table 6.** Descriptive measures GRI 207-3

| Mean | SD | Median | Min. | Max. |
|---|---|---|---|---|
| 1 | 1.2 | 0 | 0 | 3 |

**Source:** Authors' own creation

3.1.3) evaluated, the compliance average of the companies is 0.4, which is, on average, that the companies comply with 13% of the evaluations of disclosure GRI-207-3. Twenty companies are observed without complying with any of these substandards, nine companies with compliance with only one substandard and only one company complies with all the substandards.

The Cochran Q test reveals that compliance with at least two substandards is different (*p*-value 0.004631). The binomial test to verify the different groups is observed in the following Table 7.

It is observed that the substandard 3.1.1 is significantly different in compliance with the companies and that for 3.1.2 and 3.1.3 an equality in behavior is accepted with a high *p*-value.

### *7.4 Dimension 4: GRI 207-4*

GRI 207-4 disclosure is related to the "country by country" report, requiring the disclosure of all the jurisdictions in which it has a presence (4.1), indicating the name of the entities in other jurisdictions (4.2.1), the activities primary interests of the organization (4.2.2), number of employees (4.2.3), income from sales to third parties (4.2.4) and from intragroup transactions (4.2.5), profit or loss before taxes (4.2.6), intangible assets (4.2.7), profit taxes paid (4.2.9) or accrued (4.2.9), reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax (4.2.10) and the period you are reporting (4.3).

The sum in the compliance of the substandards in each company, the information displayed on Table 8 was determined. Out of 12 substandards evaluated (4.1, 4.2.1, 4.2.2,

**Table 7.** Group pair binomial *p*-value test for each GRI 207-3

| | 3.1.1 | 3.1.2 |
|---|---|---|
| 3.1.2 | 0.0313 | – |
| 3.1.3 | 0.015 | 1 |

**Source:** Authors' own creation

**Table 8.** Descriptive measures GRI 207-4

| Mean | SD | Median | Min. | Max. |
|---|---|---|---|---|
| 4.9 | 0.9 | 2 | 0 | 3 |

**Source:** Authors' own creation

4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7 4.2.8, 4.2.9, 4.2.10 and 4.3), the compliance average of the companies is 2.1 which is, on average, 41% of compliance in the evaluations of the disclosure GRI 207-4. It is also observed that two companies do not achieve any of the substandards, 12 companies comply with two substandards and 12 companies comply with all of the substandards.

The Cochran Q test reveals that compliance with at least two substandards is different ($p$-value $< 2.2 \times 10^{-6}$). The binomial test to verify the different groups is observed in the following Table 9.

It is observed that categories 4.1 and 4.3 have similar behaviors, while substandards 2.1 to 2.10 vary in behavior in all groups.

*7.5 General analysis*

To analyze the performance between each substandard the compliance proportion variable will be studied in each company regarding GRI disclosure and substandards, as it can be seen in Figure 1.

Due to the lack of normality, a nonparametric test is chosen. As the data are matched, Friedman test is applied to verify if there are significant differences. Friedman test finds significant differences among at least two groups ($p$-value $< 2.2 \times 10^{-16}$). To identify the groups with differences, a pair Wilcoxon test will be applied with the results shown in Table 10.

This allows us to conclude that compliance with the GRI 207-1 disclosure behaves significantly differently from the GRI 207-2 and GRI 207-3 disclosures. On the other hand, the disclosure GRI207 - 4 presents similar behaviors to all the other categories studied. For the disclosure GRI 207-2 and GRI 207-3, the distributions are also similar, but as indicated, substandards 2.1.2.1., 2.1.2.2. and 2.1.2.3 related to training for tax teams on tax sustainability issues, have a lower degree of compliance. The same occurs with substandard 2.1.3.1 on tax risk reporting, where the degree of compliance is lower. This indicator could have a direct impact on the decision of tax administrations to focus their audits on companies with a lower degree of transparency in disclosing tax risks.

*7.6 Comparison between 2020 and 2021 period*

To compare compliance with the standards between the 2020 and 2021 period, the Wilcoxon test is used between each of the substandards and a total proportion of compliance. The data corresponding to the year 2020 derive from the study carried out by Faúndez-Ugalde *et al.* (2022). Table 11 shows compliance measures for the year 2020, while Table 12 shows the proportions of compliance for the year 2021.

For comparison, each of the substandards is graphed along with its version from the previous year, as shown in Figure 2.

The Wilcoxon test is used to compare the similarities or differences of the results obtained between the period 2020 and 2021, as shown in Table 13.

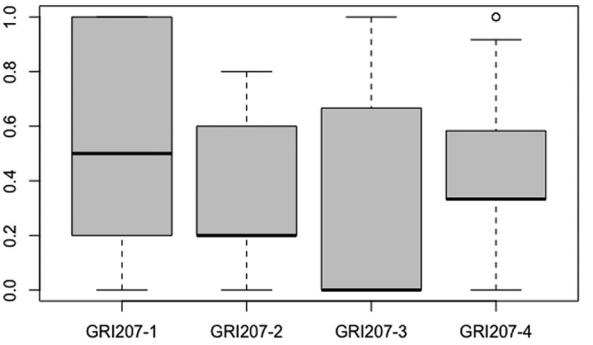
In view of the above, the statistical test for each of the substandards shows a significant difference in the proportion of compliance between 2020 and 2021, this means that the proportion of compliance with the disclosure GRI 207-1, GRI 207-2 and GRI 207-3 increased from one year to the next. However, for the GRI 207-4 disclosure, the significant difference provides a decrease in the proportion of compliance, this because of the methodological change in the measurement of this substandard, where before only three substandards were analyzed, instead, now the number increased to 13 substandards.

Therefore, to make the comparison, only the substandards selected in the first study will be used (Faúndez-Ugalde *et al.*, 2022), that is, substandards 4.1, 4.2.1 and 4.3, as shown in Table 14.

**Table 9.** Group pair binomial *p*-value test for each GRI 207-4

| | GRI207-4.1 | GRI207-4.2.1 | GRI207-4.2.2 | GRI207-4.2.3 | GRI207-4.2.4 | GRI207-4.2.5 | GRI207-4.2.6 | GRI207-4.2.7 | GRI207-4.2.8 | GRI207-4.2.9 | GRI207-4.2.10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GRI207-4.2.1 | 0.5 | | | | | | | | | | |
| GRI207-4.2.2 | 0.25 | 1 | | | | | | | | | |
| GRI207-4.2.3 | 1.5E-05 | 2.8E-04 | 1.2E-04 | | | | | | | | |
| GRI207-4.2.4 | 1.8E-03 | 0.0129 | 0.0225 | 0.180 | | | | | | | |
| GRI207-4.2.5 | 2.0E-06 | 8.0E-06 | 1.5E-05 | 0.375 | 7.8E-03 | | | | | | |
| GRI207-4.2.6 | 5.2E-04 | 4.2E-03 | 3.4E-03 | 0.453 | 0.50 | 0.03 | | | | | |
| GRI207-4.2.7 | 2.0E-06 | 8.0E-06 | 1.5E-05 | 0.375 | 7.8E-03 | 1 | 0.03125 | | | | |
| GRI207-4.2.8 | 2.8E-04 | 2.4E-03 | 1.8E-03 | 0.688 | 0.25 | 0.06 | 1 | 0.0625 | | | |
| GRI207-4.2.9 | 4.0E-06 | 1.5E-05 | 3.1E-05 | 0.688 | 1.6E-02 | 1 | 0.0625 | 1 | 0.125 | | |
| GRI207-4.2.10 | 7.8E-03 | 2.0E-06 | 4.0E-06 | 0.063 | 2.0E-03 | 0.50 | 7.8E-03 | 0.5 | 0.016 | 0.25 | |
| GRI207-4.3 | 0.125 | 0.0313 | 0.0156 | 1.0E-06 | 3.1E-05 | 0.00 | 8.0E-06 | 1.0E-07 | 4.0E-06 | 2.38E-07 | 3.0E-08 |

**Source:** Authors' own creation




**Source:** Author's own creation

**Figure 1.** Boxplot compliance ratio with respect to GRI disclosure and substandards

**Table 10.** Wilcoxon *p*-value test pairs of substandards

| | GRI207-1 | GRI207-2 | GRI207-3 |
|---|---|---|---|
| GRI207-2 | 0.00151 | – | – |
| GRI207-3 | 0.00012 | 0.44591 | – |
| GRI207-4 | 0.23933 | 0.44591 | 0.44591 |

**Source:** Authors' own creation

**Table 11.** Compliance ratio 2020

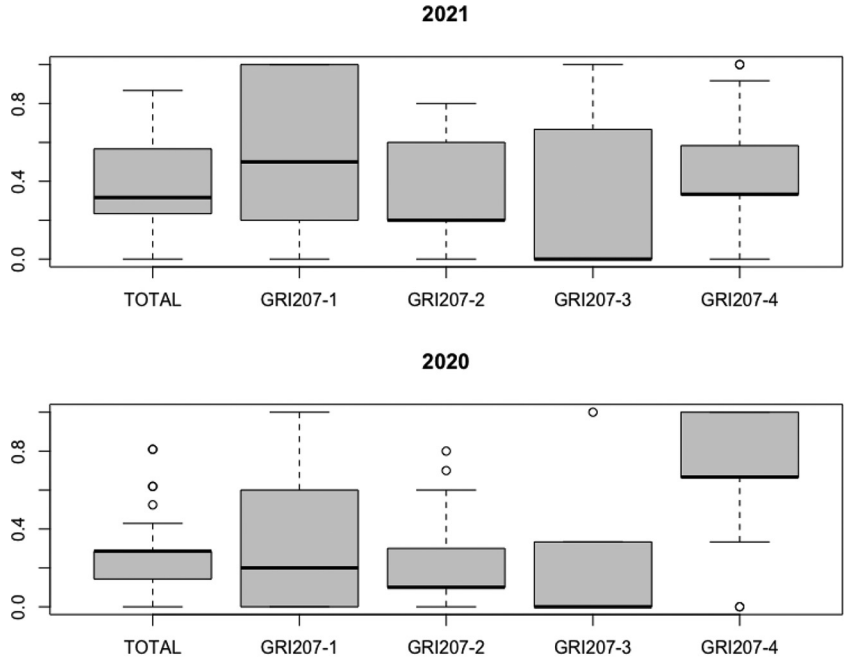
| | Mean | SD | Median | Min. | Max. | Skew | Kurtosis |
|---|---|---|---|---|---|---|---|
| GRI207-1 | 0.29 | 0.33 | 0.20 | 0 | 1.00 | 0.86 | −0.67 |
| GRI207-2 | 0.21 | 0.22 | 0.10 | 0 | 0.80 | 1.18 | 0.45 |
| GRI207-3 | 0.13 | 0.22 | 0.00 | 0 | 1.00 | 1.98 | 4.62 |
| GRI207-4 | 0.71 | 0.30 | 0.67 | 0 | 1.00 | −0.80 | −0.21 |
| TOTAL | 0.29 | 0.20 | 0.29 | 0 | 0.81 | 1.14 | 0.66 |

**Source:** Authors' own creation

**Table 12.** Compliance ratio 2020

| | Mean | SD | Median | Min. | Max. | Skew | Kurtosis |
|---|---|---|---|---|---|---|---|
| GRI207-1 | 0.54 | 0.38 | 0.50 | 0 | 1.00 | 0.05 | −1.86 |
| GRI207-2 | 0.35 | 0.25 | 0.20 | 0 | 0.80 | 0.45 | −1.20 |
| GRI207-3 | 0.32 | 0.41 | 0.00 | 0 | 1.00 | 0.73 | −1.18 |
| GRI207-4 | 0.41 | 0.27 | 0.33 | 0 | 1.00 | 0.65 | −0.27 |
| TOTAL | 0.40 | 0.26 | 0.32 | 0 | 0.87 | 0.27 | −1.19 |

**Source:** Authors' own creation




**Source:** Author's own creation

**Figure 2.** Boxplot compliance ratio comparative between the period 2020 and 2021

**Table 13.** Wilcoxon *p*-value test for comparison period 2020 and 2021

| Substandard | *p*-value |
|---|---|
| GRI207-1 | 0.002998 |
| GRI207-2 | 0.02121 |
| GRI207-3 | 0.04174 |
| GRI207-4 | 0.001878 |
| TOTAL | 0.05543 |

**Source:** Authors' own creation

**Table 14.** Descriptive measures GRI 207-4

| 2021 | Mean | SD | Median | Min. | Max. | Skew | Kurtosis |
|---|---|---|---|---|---|---|---|
| GRI207-4 | 0.82 | 0.32 | 1 | 0 | 1.00 | −1.43 | −0.5 |
| TOTAL | 0.46 | 0.27 | 0.4 | 0 | 0.86 | 0.08 | −1.43 |

**Source:** Authors' own creation

For the comparison of the GRI 207-4 disclosure, considering the indicated adjustment, each one is graphed together with its version from the previous year, as shown in Figure 3.

On the other hand, for the comparison of all the GRI 207 disclosures, each one is graphed together with its version from the previous year, as shown in Figure 4.

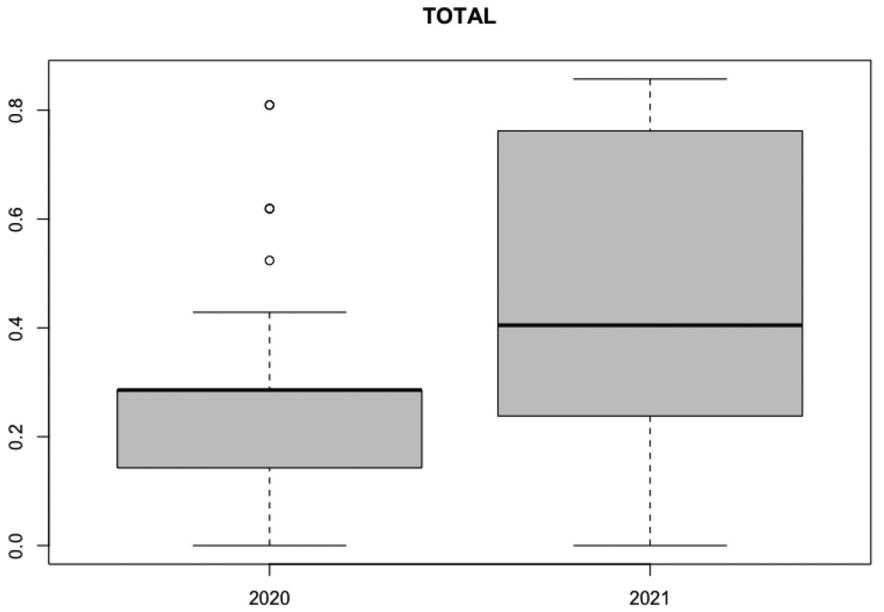
When doing the previous analysis with the Wilcoxon test, between the disclosure GRI 207-4, with the adjustment of the year 2021, and the total proportion of compliance, it behaves significantly differently between the year 2020 and 2021, statistically increasing the proportion of compliance with GRI 207 from one year to the next, as shown in Table 15.

## 8. Conclusions

The advances in fiscal transparency in Latin America have been relevant, proof of this was the Punta del Este Declaration of November 2018 aimed at maximizing the effective use of the information exchanged between countries. However, in the year 2022, the OECD collected evidence on the progress of the commitments assumed in said instance, noting that challenges continue to exist and the results still present uneven results. Although the efforts of the OECD have been relevant to advance in fiscal transparency, the information exchange mechanisms between tax administrations do not offer the possibility of integrating other antecedents that arise from the good fiscal practices assumed by taxpayers, as is the case of fiscal sustainability reports. In this way, for Latin American countries, fiscal sustainability reports constitute voluntary mechanisms for the disclosure of tax strategies that account for tax risks assumed by companies, as well as consolidated tax information that comes from other jurisdictions or "country by country."


**Source:** Author's own creation

**Figure 3.** Boxplot comparative compliance ratio between the 2020 and 2021 period, with respect to the GRI 207-4 substandard




**Source:** Author's own creation

**Figure 4.** Boxplot comparative compliance ratio between the period 2020 and 2021, with respect to the total disclosure GRI 207

**Table 15.** Wilcoxon *p*-value test for comparison of GRI 207-4 disclosure and total compliance ratio

| Groups | *p*-value |
|---|---|
| GRI207-4 | 0.1395 |
| TOTAL | 0.00917 |

**Source:** Authors' own creation

In Latin America, the trend of companies continues to be the disclosure of sustainability reports in accordance with the GRI standard (OECD, 2023a), where Chilean companies have positioned themselves in first place in raising US$14.8bn in GSS corporate bonds, followed by Mexico with US$13bn. Particularly in Chile, new findings are presented in tax sustainability reports of companies with the highest market capitalization for the 2021 period, revealing a significant difference in the proportion of compliance between 2020 and 2021. This means that the proportion of compliance with the GRI 207-1, GRI 207-2, GRI 207-3 and GRI 207-4 disclosures increased from one year to the next.

It should be noted that in the case of GRI 207-1, 54% of these companies are voluntarily disclosing their tax strategies, presenting an increase compared to the previous year that only reached 28.7%.

In the case of disclosure 207-2, a greater proportion of compliance can be observed in substandard 2.2, while substandards 2.1.2.1., 2.1.2.2. and 2.1.2.3 related to training for tax teams on tax sustainability issues, have a lower degree of compliance. The same occurs with

substandard 2.1.3.1 on tax risk reporting, where the degree of compliance is lower. This is a key indicator that is linked to aspects of tax compliance, which could have a direct impact on the decision of tax administrations to focus their audits on companies with a lower degree of transparency in disclosing tax risks.

In the case of disclosure 207-4, on "country by country" reporting, there are also significant differences between the period 2020 and 2021. The lowest degree of compliance for the 2021 period is presented in substandard 4.2., being an indicator linked to companies that do not make a detailed diagnosis of their consolidated financial statements.

Therefore, it is demonstrated that taxpayer sustainability reports can become a relevant input to identify indicators that contribute to the audits developed by tax administrations. This is even more justified if one considers that, according to what was reported by the OECD (OECD, 2023b), 56% of tax auditors claim to have average knowledge of tax transparency issues, and 6% claim to have low knowledge.

Finally, it is essential that the public policies of the countries encourage taxpayers to voluntarily disclose their tax strategies. One of these voluntary mechanisms for disseminating tax strategies are the tax sustainability reports, and it is essential that they be included in the audits of the tax administrations. If this variable is not considered, the integrating mechanism is bound to fail.

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