Episode 10 – On Public Shaming

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides multiple choice and true/false questions to test for high-level comprehension of podcast topics as well as opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we invite two guests to discuss the efficacy of publicly shaming corporations into paying their "fair share" of taxes. We detail the consequences of recent increased public tax disclosures in the U.K. and Australia.

Concepts covered

- Public tax disclosure
- Reputational costs of tax avoidance

Multiple Choice and T/F Questions

1. According to the podcast, what are some of the reasons countries are increasing public disclosure of corporate taxes for shaming purposes?
    a. Despite growing interest in corporate tax avoidance strategies, observing how corporations avoid taxes is difficult using available required disclosures.
    b. Companies typically do not voluntarily disclose information about their taxes.
    c. Tax authorities need more public disclosure to collect taxes.
    d. Corporate employees are demanding more tax disclosures to use them as leverage in wage and benefit negotiations.

2. True or False: The U.K. Tax Strategy Disclosure initiative requires companies to disclose the proprietary details of the highly aggressive tax avoidance strategies they undertake.
    a. True
    b. False

3. Which of the following best characterizes the type of information required by the U.K. Tax Strategy Disclosure?
    a. Qualitative (descriptive) information
    b. Quantitative (numerical) information
    c. Both qualitative and quantitative information

4. Which of the following is **<u>not</u>** one of the required disclosures in the U.K.?
    a. Tax risk management
    b. Attitude toward tax planning
    c. Savings from tax planning during the year
    d. Tax risk appetite

5. True or False: The U.K. takes a more personalized approach to tax enforcement than the U.S., with U.K. tax authorities being more involved before companies finalize and file their tax returns.
    a. True
    b. False

6. True or False: The U.K. provides detailed guidance about the length and content of required disclosures.
    a. True
    b. False

7. True or False: There is strong evidence that companies reduce their level of tax avoidance in response to the U.K. Tax Strategy Disclosure.
    a. True
    b. False

8. According to the podcast, which of the following is **<u>not</u>** a limitation of the U.K. Tax Strategy Disclosure? Select all that apply.
    a. The public may not be fully aware that the disclosure exists.
    b. The design of the Disclosure may ineffective
    c. It is difficult and costly for companies to comply with the Disclosure
    d. There is a low bar for "compliance"; companies can technically comply without revealing much information.

9. Which of the following is/are true about the public shaming of Starbucks?
    a. The HMRC assessed a mandatory tax payment against Starbucks
    b. Starbucks limited its operations in the U.K.
    c. Starbucks mad a voluntary tax payment to the HRMC
    d. The HMRC had already audited Starbucks and concluded they did not owe additional taxes

10. Which of the following is/are true about the Australian disclosure?

a. It requires the Australian Tax Office to disclose on its website how much tax was paid by large companies.
b. It requires companies to publicly disclose their tax payments in their financial statements.
c. It subsequently incorporated qualitative disclosures.

11. According to the podcast, what was the strongest documented reaction to the Australian disclosure?
    a. A significant reduction in corporate tax avoidance
    b. A sustained decrease in stock price
    c. Firms trying to avoid the disclosure requirement
    d. Public boycotts of firms with low disclosed tax payments

12. True or False: According to the podcast, it is possible for a corporation to pay little tax without engaging in aggressive tax avoidance.
    a. True
    b. False

13. True or False: Survey evidence suggests managers and directors try to avoid or minimize reputational risks associated with tax avoidance.
    a. True
    b. False

14. True or False: According to the podcast, there is strong evidence that U.S. firms decrease their aggressive tax avoidance following negative national media attention.
    a. True
    b. False

15. True or False: According to the podcast, there is evidence in the U.S. that CEOs and CFOs are likely to be fired if the firm is revealed to have engaged in a tax shelter.
    a. True
    b. False

Short answer/essay or in-class discussion questions

1. In your own words, explain how, in theory, public shaming of corporations should work and incentivize them to pay more taxes.

2. Compare and contrast the tax disclosure requirements of the U.K. and Australia.

3. In your opinion, do you think public shaming would work in the U.S.? Why or why not?

Data Analysis/Visualization

Using tax payments disclosed on the Australian Tax Office's website, create histograms of tax payments and effective tax rates (tax payments divided by total income) for all companies included in the disclosure.