

# ESG Reporting and Tax

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## Introduction

This project examines how taxation intersects with sustainability objectives and digital transformation, focusing on how ESG considerations shape tax systems and influence taxpayer behavior. It maps the role of tax measures across the environmental, social, and governance pillars and highlights corporate tax sustainability reporting as a key link between tax obligations and responsible tax conduct, with implications for large multinationals. Using a case study of the Austrian (ATX), German (DAX), and Swiss (SMIEXP) indices, it shows that reporting practices remain largely voluntary, fragmented, and unstandardized due to the absence of a national or unified international legal framework. Additionally, the project also explores how digitalization and AI are transforming taxpayer–tax administration interactions and driving change in compliance and reporting towards greater transparency, efficiency, and sustainability.

## Integration of Tax within the ESG-Framework

Tax is increasingly recognized as an important topic within the ESG scope particularly because tax behavior signals corporate values and affects both governance quality (tax strategy, compliance, risk management) and social legitimacy (tax contribution)—factors that influence ESG assessments. Corporate tax sustainability reporting captures how firms disclose tax policies and practices within CSR/ESG. Much of this is voluntary and often driven by stakeholder expectations and reputational pressure. This study analyzed disclosure patterns among companies listed from 2021–2023 in Austria’s ATX, Germany’s DAX, and Switzerland’s SMI Expanded, highlighting distinct reporting approaches across firms.

- **Reporting Location:** Companies in the DACH region disclose tax sustainability information across several reports, most commonly the Annual Report, Sustainability Report, Tax Policy, and Tax Transparency Report. From 2021 to 2023, disclosure shifted from Sustainability Reports in 2021 to Annual Reports, which became the more common location by 2023 (see Figure 1).
- **Reporting Framework:** Over the period analyzed, although several companies did not publish a tax sustainability document, those that did predominantly used GRI 207 as the preferred reporting standard (see Figure 2).

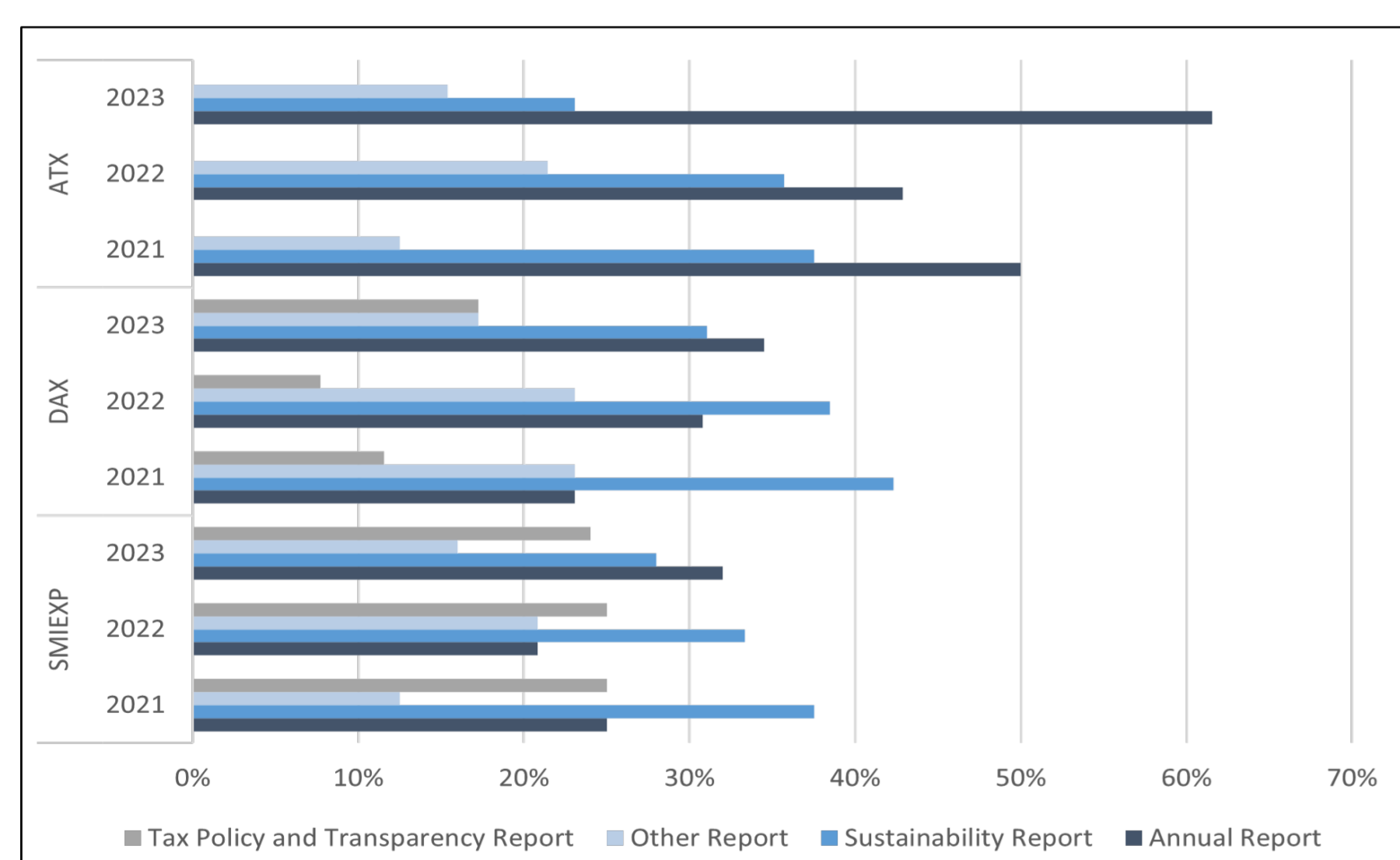


Fig. 1: Tax Sustainability Reporting Location

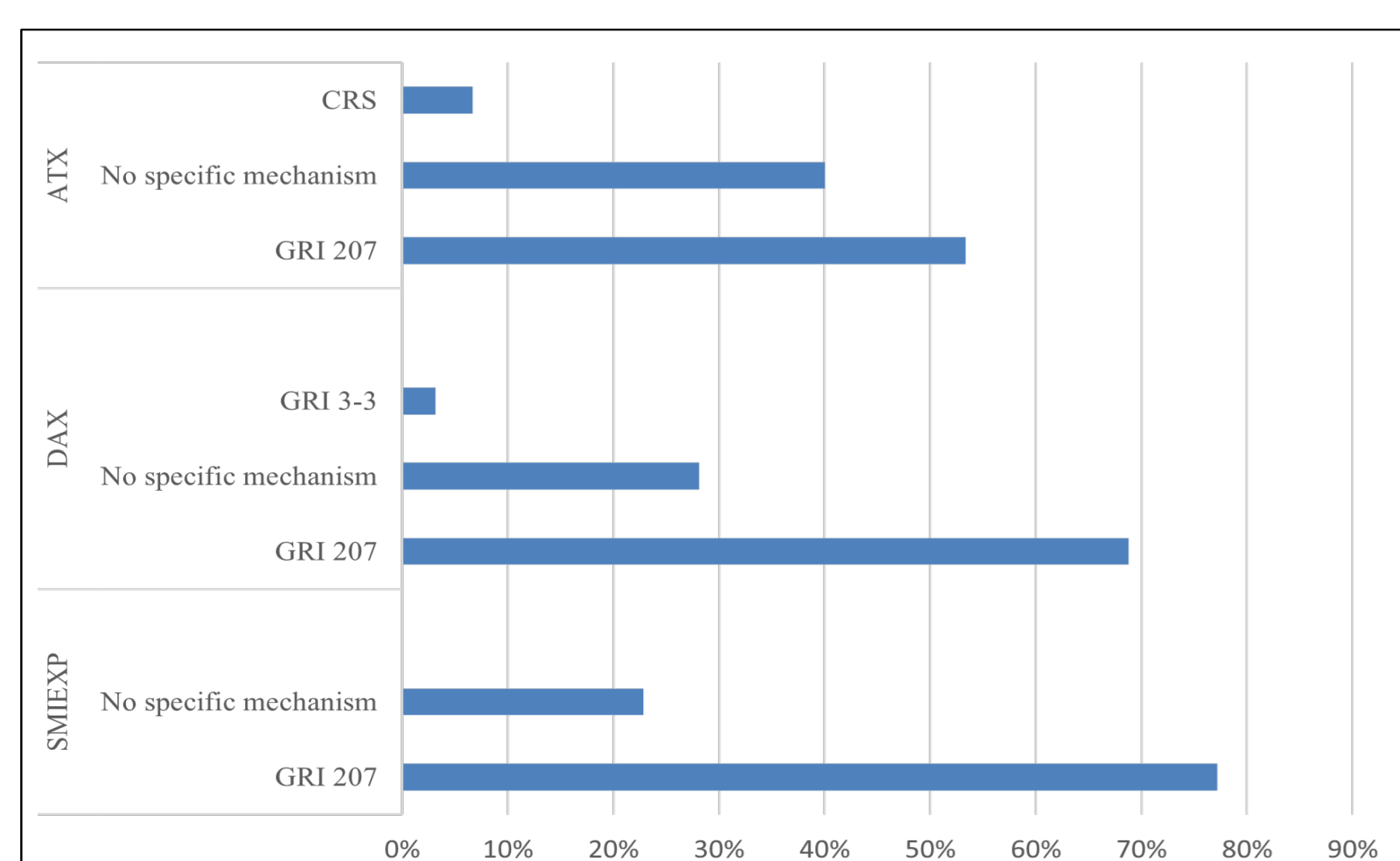


Fig. 2: Tax Sustainability Reporting Framework

## Use of Artificial Intelligence in Tax Compliance and Reporting

AI can enhance tax compliance and reporting, but adoption should start with aligning the tax function with overall business strategy and building the right data, people, process, and IT foundations (Risse, 2025).

Recent studies point to three main impacts as a result of the integration of AI in tax compliance and reporting:

- Lower compliance time/costs through automation (Shah, 2025; Boiță et al., 2025; Lopo Martinez, 2025)
- Better reporting quality and transparency via ML/NLP-enabled anomaly detection and more consistent documentation (Shah, 2025; Boiță et al., 2025)
- Greater cooperation and interoperability between companies and tax authorities through aligned data standards and control frameworks (Lopo Martinez, 2025; Boiță et al., 2025)

However, strong data governance and legal safeguards—including explainable, auditable AI and “human-in-the-loop” oversight—are needed to protect rights and trust (Fidelangeli & Galli, 2021; Lopo Martinez, 2025).

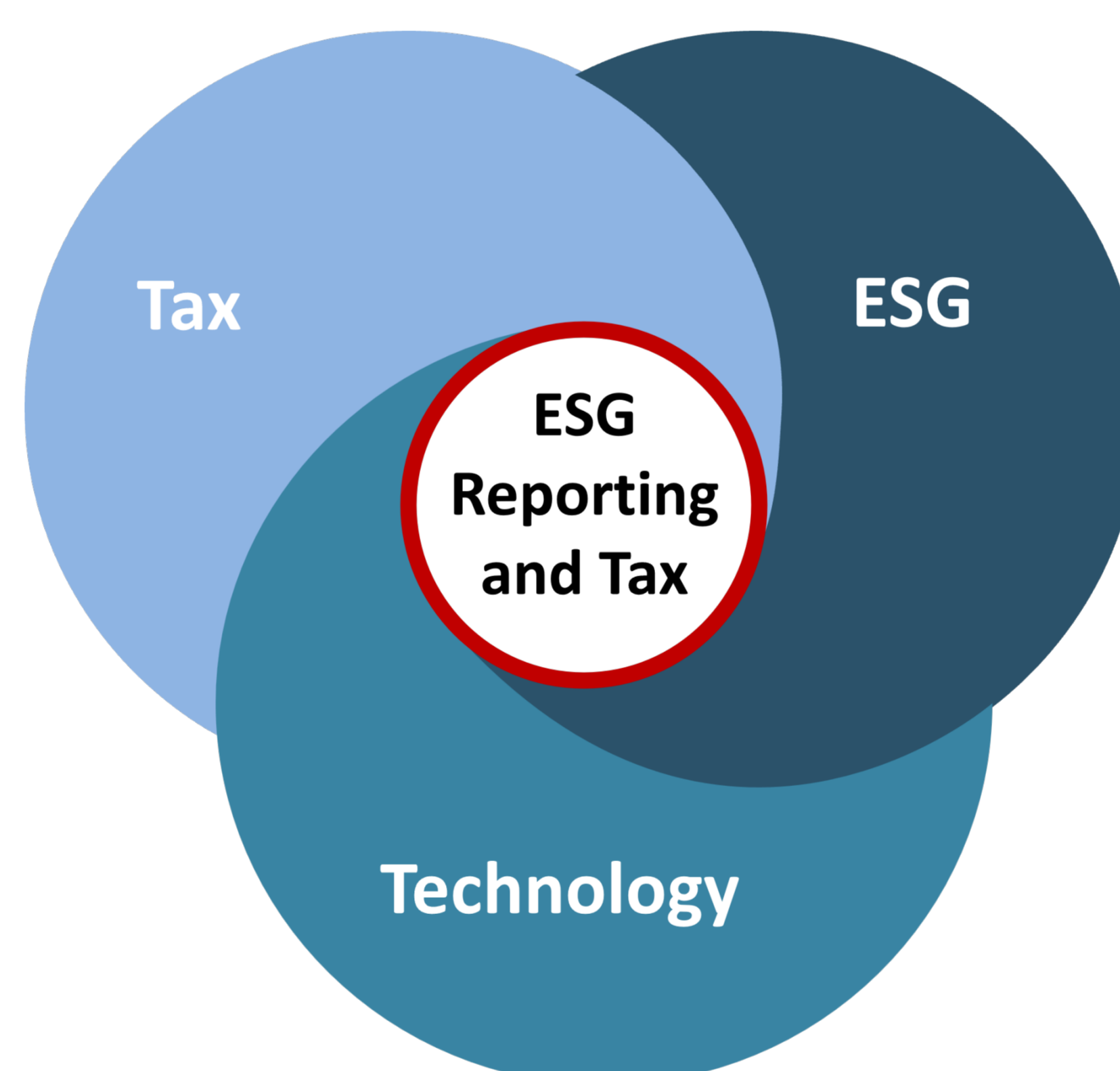


Fig. 3: Tax Sustainability Reporting Location

## Use of Artificial Intelligence by Tax Administrations

By 2022, 17 EU Member States had introduced AI/ML in tax administration, and by 2025 at least 37 of 54 OECD FTA members were using AI—driven by taxpayer demand for faster, digital, near real-time services and greater transparency and in addition, also the overall digitalization of other governmental services.

In practice, EU tax authorities mainly use AI for:

- Taxpayer assistance (chatbots such as Austria’s Fred, Finland’s Virtanen, Germany’s Steuerchatbot, Sweden’s Skatti, Spain’s Asistente Virtual del IRPF)
- Risk assessment/scoring (e.g., Austria’s PACC, Italy’s VeRa)
- Real-time VAT risk detection (Spain’s SII)
- Web scraping for undeclared activity (e.g., XENON, Germany’s XPIDER)

Overall impact has contributed to strengthening both service delivery and compliance/fraud detection.

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## Conclusion

The convergence of taxation, ESG, and technology is positioning tax as a signal of corporate responsibility, transparency, and sustainable value creation. While ESG-aligned tax strategies can strengthen governance and support broader social and environmental outcomes, tax sustainability reporting remains fragmented and inconsistent across companies, even though GRI 207 is increasingly used as the primary reporting standard. Digital tools (e.g., AI, analytics, blockchain) can improve the quality and consistency of disclosures and enable more data-driven engagement between taxpayers and tax authorities, but they require careful oversight to address risks in accountability, data governance, and environmental costs. Lasting progress depends on harmonized standards and a shared understanding of tax as an integrated part of sustainability.

## Technology-Driven Solutions for Corporate Tax Sustainability Reporting

Integrating ESG requirements into corporate IT systems (e.g., ERP tools such as SAP) enables more consistent, reliable, and automated tax-and-sustainability reporting. The development of a process house in the BPMN 2.0 standard is a useful tool to determine the actual and target status of sustainability reporting (see Figure 4).

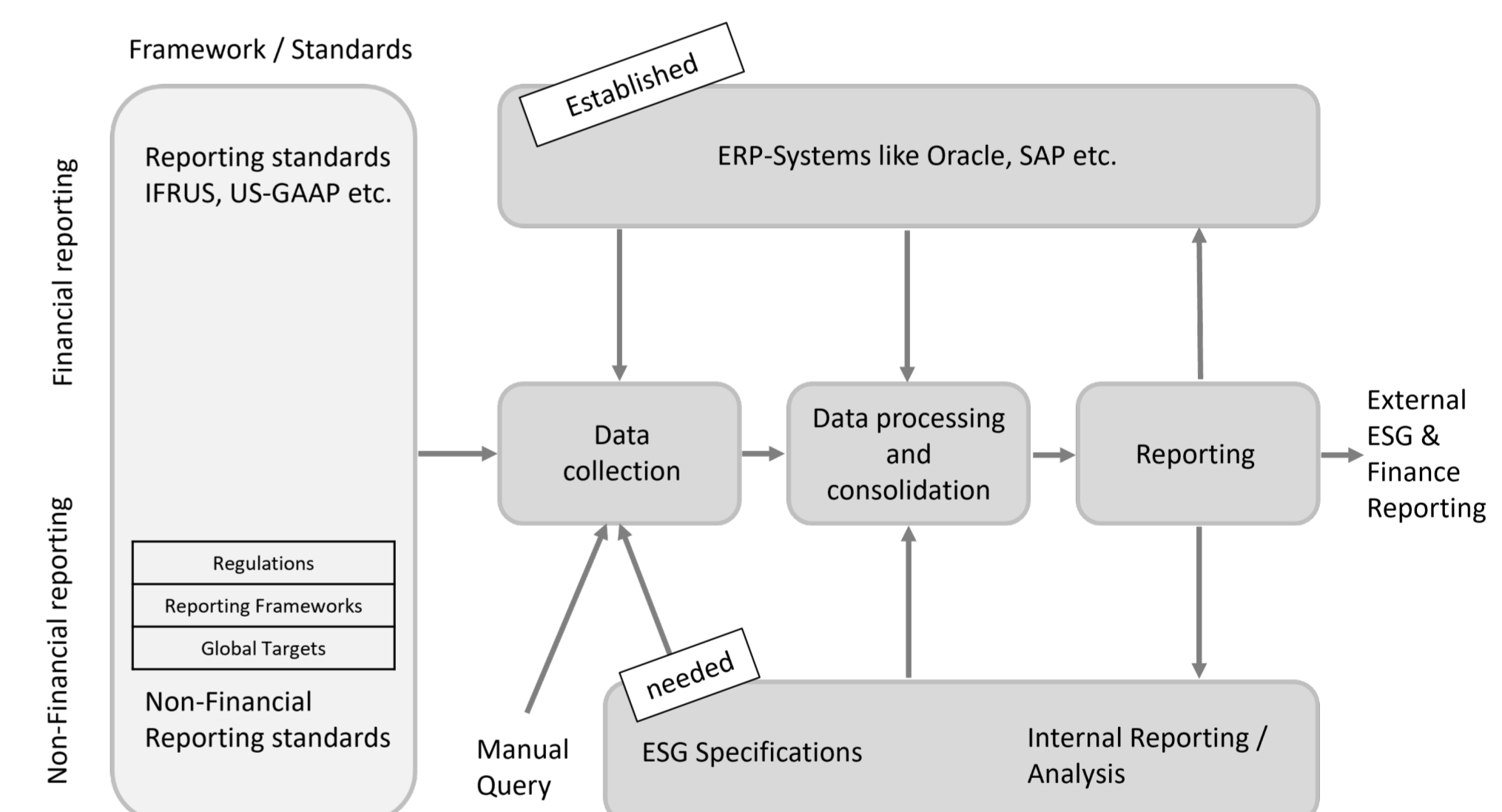


Fig. 4: Technology-driven compliance and reporting solutions

At the tax–ESG–technology intersection, “digitainability” frames how companies combine digital transformation and sustainability goals—ranging from adding digital tools to sustainability programmes, to embedding sustainability into digitalization from the outset. In practice, AI tax analytics, data-visualization, and blockchain are being explored to improve tax risk detection, compliance monitoring, traceability, and ESG reporting quality.

Governments are also digitalizing tax administration through e-reporting and data-matching, consistent with the OECD’s Digital Transformation Maturity Model, supporting more efficient data exchange and potential real-time transparency.

Key constraints remain interoperability, data protection, and model neutrality. Risse (2025) stresses the need for strong governance safeguards and transparent methodologies, while Hongler et al. (2023) highlight that fragmented frameworks and ESG rating approaches—plus the lack of unified tax disclosure standards—still undermine comparability, even with better technology.

### Key Sources

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