"It is difficult to escape the conclusion that many businesses, including the top four accountancy firms within the UK, see corporate social responsibility as little more than a tool for brand and reputation management, helping to legitimise their current practices."

The Accounting Standards Board (ASB) notes that the section of company accounts that is most commonly full of 'immaterial clutter'[3] is the corporate social responsibility section. It also comments that many organisations, including accountancy firms, are not reporting on areas specific to their activities, in this case taxation service lines. In a recent survey by the ASB, nine organisations had a CSR section of their company accounts that was longer than the financials section, and yet only one in five companies gave an adequate explanation as to why CSR was important to that particular business.

If accountancy firms are offering and selling tax advice and products, should this not be part of their CSR disclosure? It may be less common practice to relate tax advice to CSR than the more 'traditional' CSR issues such as human rights and supply chain best practice, but CSR is increasingly about 'core business', and tax advice is indisputably a core business activity of accountancy firms. There are good commercial reasons for accountancy firms to make a more explicit link between tax advice and socially responsible behaviour. By helping companies to pay their fair share of taxes, accountancy firms will build a reputation for strong ethical values, attracting likeminded clients and employees.

No one is asking accountancy firms to encourage their clients to pay more tax than they need to. However, there are compelling reasons for accountancy firms to help their clients to pay the correct amount of tax in each country where they have an operational presence, and for accountancy firms to produce CSR reports that engage directly with their main business activities. At a minimum, CSR reports should describe how, where and when tax is paid by the accountancy firms themselves, provide information on their service lines, including the nature of tax advice provided to clients, and outline how their tax partners are trained in ethics. To repeat, tax is currently the missing link in accountancy firms' CSR reports. Given the level of scrutiny that tax avoidance is attracting, accountancy firms would be well advised to remedy this.

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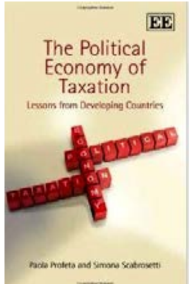
[3] https://www.frc.org.uk/Our-Work/Publications/ASB/Rising-to-the-Challenge/Rising-to-the-challenge.aspx

book review



The Political Economy of Taxation: Lessons from Developing Countries

Paola Profeta and Simon Scabrosseti

Edward Elgar Publishing Ltd 2010

This book is a welcome attempt to address the gap between the study of taxation and of political economy. The book is based on an extensive study across several continents carried out by the authors, though I must confess that I was disappointed to see Africa left out completely.

One of the main arguments of the book is that the more democratic a state the higher its tax revenue and the better its distribution. The key terms that guide this book are political economy, taxation, developing countries, emerging economies, Asia, Latin America, Europe, democracy. This book analyses the links and connections between economics, politics and taxation.

I approached this book from the angle of extending its applicability to developing nations in Africa. In Africa, too it can be argued that the increase in democracy may lead to increased tax collection, which in turn will lead to an increased demand by citizens to have better spending on welfare issues.

The book begins to enquire into, and critique, how political economy affects taxation and *vice versa.* However the book pushes the globalisation argument that financial market liberalisation and openness to free trade will enhance distribution. While the data is convincing there is an absence of a deep, contextual country-by-country analysis. This raises questions about whether the theory being posited can indeed be extended to African countries.

Several other interesting arguments explored by the authors include: firstly, that redistribution can take place through an enlarged welfare state and an efficient and effective tax system in which direct taxes would have to be prioritised over indirect taxes. Secondly, they make the case that democratisation allows poor people to actively engage in politics and as a consequence democracy promotes equality. Finally, that democratisation affects growth through institutional improvements rather than other mechanisms such as capital accumulation or fiscal and trade policies.

An additional critique to this book is that in a field that is multi-disciplinary in nature, more narrative would not have been amiss in order to reach out to a public that is becoming increasingly interested in the field of political economics, notwithstanding that most people have no formal training in the subject.

A book that canvasses and analyses this topic through this perspective is an excellent addition to the area. I would definitely recommend this book to anyone interested in development, human rights, poverty alleviation and or taxation and would encourage those interested in researching on Africa to use this text as a model to analyse African states and their economies.

Review by Attiya Waris