

May 2016

BEPS Country by Country Ready to comply ?



Country-by-Country Reporting (CbCR) requires multinational enterprises (MNEs) to provide information on their global allocation of profit, taxes paid and other economic indicators in the countries in which they operate.

Who?

All MNEs with consolidated group revenue of over EUR 750 million for the previous year. The ultimate parent has to file a CbCR in its country of residence with the local tax administration and this will be automatically shared with the tax administration of all concerned jurisdictions.

What?

The CbCR template requires information aggregated by tax jurisdiction from all constituent entities of the MNE, such as:

- Revenues
- Profits
- Income tax
- Employees
- Tangible assets

When?

The OECD's CbCR will be required for fiscal years starting on or after 1 January 2016. CbCR filing will be due within one year following the last day of the fiscal year of the ultimate parent of the MNE.

Why?

CbCR helps tax authorities assess transfer pricing risks through increased transparency.

What about Luxembourg?

The government and tax authorities work on the transposition of CbCR requirements into national law. Considering the attributes of the financial market in Luxembourg, they might clarify and adapt some of the OECD guidelines.

European Commission proposal for CbCR

On 12 April 2016, the European Commission proposed a legislation requiring public CbCR from many EU enterprises. The requirements are similar to the OECD CbCR's.

Master File and Local File

In addition to the CbCR, taxpayers also need to prepare a Master File and a Local File.

The Master File gives an overview of the value creation within an MNE and how each of its entities contributes.

The Local File details the value creation by entity and shows how transfer prices respect the arm's length principle.

Your challenges

Step I Template and data mapping

In which country do you have to file CbCR? Does the secondary mechanism for CbCR filing apply to you?

Are the definitions of the data required in the CbCR template clear or do you need specific guidelines?

Do you have to collect data that's not available under your current accounting system?

Would the data collection be more efficient at local or at central level?

Step II Risk assessment and remediation

Is your CbCR data consistent with the Master File and Local File?

What will your CbCR reveal about your business?

How will you address potential risks or inconsistencies in your CbCR?

Step III System and Process readiness

Are your existing tax and reporting processes compatible with your CbCR and *vice versa*?

Are current tax control frameworks aligned to CbCR and which processes do you need to set up in order to effectively complete your CbCR?

Our step-by-step solutions

Step I For template and data mapping, we:

- **review how the CbCR template requirements** apply to your MNE;
- **map**, in a methodical manner, the CbCR template requirements with the chart of accounts (factoring in local variations);
- **perform a dry run** of the CbCR template to identify areas of improvements for the data extraction process.

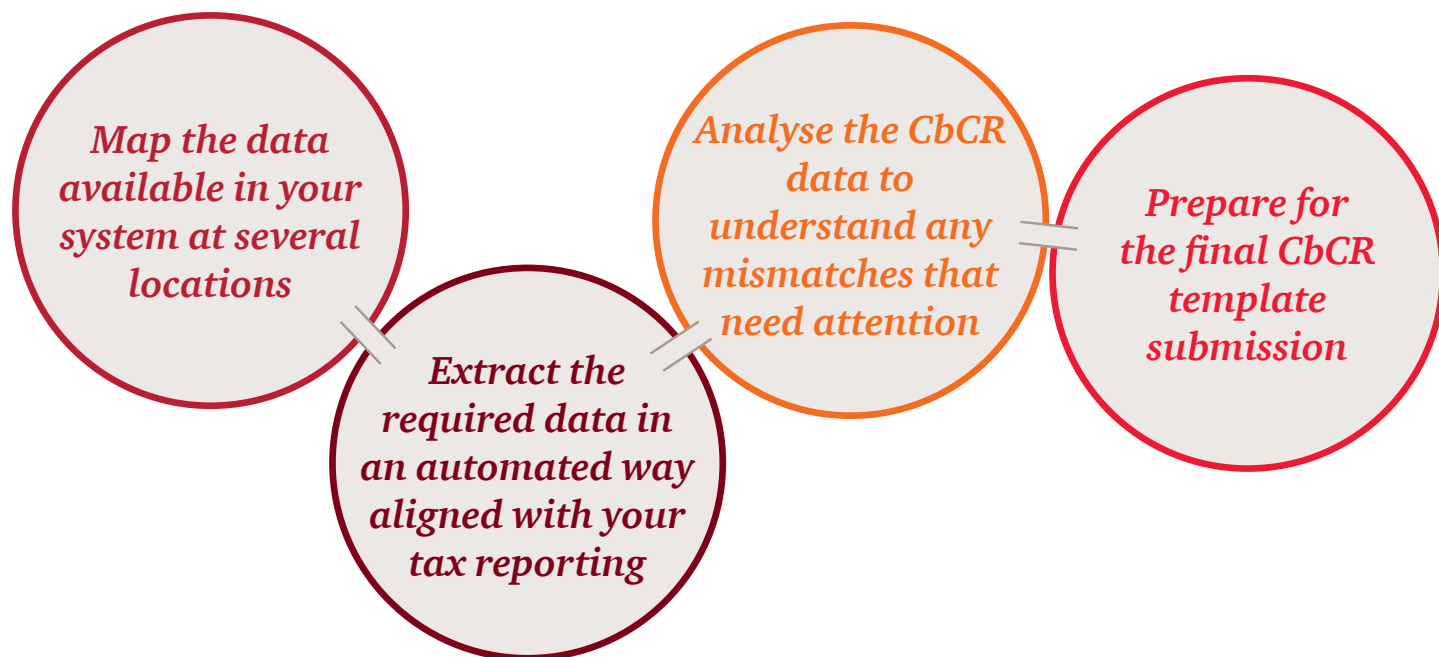
Step II For risk assessment and remediation, we:

- **use our in-house tools** to assess CbCR-related risks, identify critical pressure areas and anticipate potential questions from the tax administration.
- **check the interaction** of the CbCR with the Master File and Local File, as well as their consistency;
- **identify policy and operational remediation** to be implemented before the end of the first year of compliance;
- **identify impact on other BEPS work streams** and other tax risks.

Step III For system and processes readiness, we:

- **assess the current technology capabilities** of your MNE to meet disclosure obligations, including the preparation of the CbCR XML scheme;
- **execute the necessary processes** and technology changes required to design the ERP and BI landscape needed for data extraction;
- **identify the processes required** to get the information that can't be obtained through a centralised business intelligence system;
- **design and implement** the manual and supporting processes with defined resources;
- **review governance and control frameworks**.

Our step-by-step solutions (continued)



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