

OECD BEPS Action Plan Country by Country Reporting

Country by Country Reporting

Background

Who's affected?

The OECD Action Plan on Base Erosion and Profit Shifting (BEPS) will impose country by country reporting (CbyC) on all companies located within an OECD or G20 country and potentially more widely. Groups will have to submit a CbyC template including the data set out in the table below on a country basis incorporating all entities, partnerships, branches etc. Currently reporting will only be to the relevant tax authorities and not public.

Timing and submission

Further information is expected on the implementation process in early 2015. It is expected that 2016 will be the first year in scope but not clear if that is accounting periods starting or ending in 2016. It is proposed that the report will need to be submitted 12 months after the accounting period end of the parent.

The mechanism for submission and sharing of the template with tax authorities where the group operates is yet to be determined. Further consideration announcements are expected in early 2015.

Implementation across countries may not be uniform so companies need to monitor developments closely across multiple territories over the coming months. The UK is the first country to formally announce it's intention to introduce the rules with effect from 1 January 2016.

How KPMG can help

Strategy

- Determining the overall strategy and whether there is an appetite to gather additional data around total tax contribution to supplement public disclosures or inform corporate social responsibility reporting.
- Drafting of a business case to support the implementation of a data gathering process and technology to deliver CbyC.

Scoping and impact

- Identifying the scope and impact of the regulations, including the scope of countries, and dealing with complexities such as joint ventures, acquisitions, disposals, branches, permanent establishments.
- Assisting with interpretation of the OECD guidance
- Additional layer of scoping for those impacted by the Dodd Frank Act Section 1504, the EU Accounting Directive or CRD IV, to ensure synergies and efficiency in creating a single compliance process.
- Determining responsibilities, timeline and process.
- Determining whether to report using Group GAAP or Local GAAP numbers.

Consistency and accuracy

- Training materials and guidance documentation for local country teams, that address complexities such as tax credits, definitions of corporate income taxes, treatment of interest, penalties and mobile employees, consideration of materiality & consolidations.
- Country "tax mapping" identifying all local taxes, and how they align to the global reporting requirements.

CbyC template to include on a tax jurisdiction basis:

Tax Jurisdiction	Unrelated Party Revenue	Related Party Revenue	Total	Profit (Loss) Before Income Tax	Income Tax Paid (on a cash basis)	Income Tax Accrued – current year	Stated Capital	Accumulated Earnings	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
Country A	X	X	X	X	X	X		X	X	X
Country B	X	X	X	X	X	X		X	X	X

CbyC template to include supplementary pages listing each taxable vehicle (including branches, partnerships etc) tax resident in each country identifying where they are incorporated, if different from residence, and selecting the most appropriate indicators of activity from a set list of options.

Review

- Review across all countries and entities to assess consistency of data.
- Analysis of data to identify potential areas of challenge under a BEPS lens. Preparing anticipated questions & answers from tax authorities based on this data.
- "Deep dive" reviews of the data for material or complex countries (e.g. Brazil, India) to provide comfort over the local process and to improve training for future reporting periods.

Reporting

- Preparing reports in required formats.
- Drafting supporting narrative and messaging as needed.
- Producing transparency reports for publication in line with corporate social responsibility reporting.
- Preparing statements on tax strategy and governance, which is becoming common practice.

Project management

- Providing project management from scoping through to reporting, including steering group management, status updates and managing your local teams to ensure effective and on time delivery.
- Working with the necessary subject matter experts in your business including tax, finance, controlling, human resources, corporate social responsibility and investor relations.

Pilot exercise

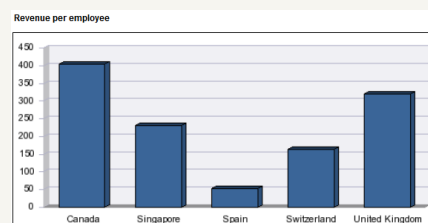
- Design and manage a pilot exercise to test the process, technology and output before a wider roll out to the group.

Technology

Sourcing cash tax paid is not an easy task, even with an advanced enterprise resource planning (ERP) system. Collating and reporting the data in the required format is also time consuming and an excel spreadsheet approach can carry risk of errors. We have configured our proprietary technology tool, KPMG Link 360 to assist with the data gathering and reporting. This tool automatically aggregates all entity level data, can convert local currency data to group reporting currency, gives oversight functionality to monitor progress and is flexible to take into account changing requirements. We have used this for data gathering and reporting under voluntary and mandatory regimes.

KPMG LINK 360

This is our online web based technology that we have used to deliver our global country by country reporting projects. We have specific templates and reports designed to meet the OECD requirements that local country teams complete and submit online. KPMG LINK 360 also includes secure documentation storage.



We also have experience of working with companies to start considering whether they can sensitise their ERP systems to automate data collection in the future.

Enterprise Resource Planning (ERP) Sensitisation

Automating the data collection through your ERP systems is a way of saving time and resource in what will be an annual compliance process. The challenge being that all information is required on a cash paid basis, and that every payment needs to be tagged with the receiving government and also the project name. We can help you build functionality into your ERP system to ensure the source data is tagged correctly, so the reports you run from your systems will meet the Chapter 10 requirements.

Project Reports									
	Production Centres	Tax	Regulatory	Overseas	Sign. Elec. Trade Schemes	Licence Fees etc.	Infrastructure Requirements	Total	
Indonesia Projects									
Papua Project (Indonesia)	500,000,000	80,000,000	10,000,000	0	10,000,000	2,000,000	30,000,000	620,000,000	
Kalimantan Project (Indonesia)	400,000,000	70,000,000	8,000,000	0	0	20,000,000	20,000,000	500,000,000	
Sulawesi Project (Indonesia)	700,000,000	100,000,000	12,000,000	0	0	2,000,000	2,000,000	800,000,000	
Total	1,600,000,000	250,000,000	30,000,000	0	10,000,000	4,000,000	52,000,000	2,000,000,000	
UK Projects									
Green Project (UK)	0	40,000,000	20,000,000	0	0	0	0	60,000,000	
Yellow Project (UK)	0	60,000,000	30,000,000	0	0	0	0	90,000,000	
Orange Project (UK)	0	100,000,000	50,000,000	0	0	0	0	150,000,000	
Total	0	200,000,000	100,000,000	0	0	0	0	300,000,000	
Grand Total	1,600,000,000	1,050,000,000	130,000,000	0	10,000,000	4,000,000	52,000,000	2,300,000,000	

KPMG has experience of delivering global, complex, country by country reporting projects across different industries, and to meet different reporting requirements. Please get in contact to find out more.



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