



Background

Who's affected?

Multinational companies headquartered in OECD and G20 countries, with consolidated revenues of €750m+ (or local currency equivalent), will be required to submit a Country by Country Report (CbC Report) to their parent company tax authority, for periods starting on or after 1 January 2016. Multinationals operating in OECD/G20 countries and headquartered elsewhere are also likely to be in the scope of the rules.

Timing and submission

The OECD and G20 countries have committed to implement local legislation and to develop implementation arrangements through a series of competent authority agreements to facilitate the sharing of the CbC Reports.

The CbC Report will need to be submitted to the parent country tax authority 12 months after the accounting period end.

The parent country tax authority will automatically share the CbC Report with countries where the business operates, providing those other countries have in place certain provisions to protect confidentiality, consistency and appropriate use of the reports.

The implementation framework will be further developed by April 2015. There will be mechanisms to facilitate sharing, including potentially local filing, if the parent country tax authority has not implemented the requirements locally.



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.

Scoping

- Assisting with determining the scope and impact of the regulations, including the scope of countries, dealing with complexities such as joint ventures, acquisitions, disposals, branches, permanent establishments.
- Additional layer of scoping for those impacted by the Dodd Frank Act Section 1504, the EU Accounting Directive or CRD IV, to help ensure synergies and efficiency in creating a single compliance process.

Data gathering process

- Assisting with interpretation of the OECD guidance and the impact for data gathering.
- Developing internal operating manuals setting out the group's interpretation of the OECD guidance.
- Assessing the most appropriate data sources – e.g. Group GAAP versus Local GAAP, consolidated reporting systems versus local statutory accounts.
- Designing the data gathering process – assessing best sources of data and technology solutions, determining responsibilities, timeline and process.
- Working with IT to assess the implications for ERP systems.

CbC Report 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	x
Country B	x	x	x	x	x	x	x	x	x	x

CbC Report to include supplementary pages listing each entity (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.

Project management

- Providing project management from scoping through to reporting, including steering group management, status updates and managing 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

- Designing and advising on the management of a pilot exercise, for example in key territories, to test the process, technology and output before a wider roll out to the group.

Review

- Reviewing data across countries to assess consistency of data.
- Analyzing data to identify potential areas of challenge by tax authorities. Preparing anticipated questions and answers from tax authorities based on this data.
- Undertaking "deep dive" reviews of the data for material or complex countries (e.g. Brazil, India) to ensure accuracy.
- Identifying improvements in the data gathering process.

Reporting

- Preparing reports in the required formats.
- Drafting supporting narrative and messaging as needed, to support the report.
- Producing transparency reports for publication in line with corporate social responsibility reporting.



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Technology

Sourcing cash tax paid is not an easy task. Collating and reporting the data in the required format is also time consuming and a spreadsheet approach can carry risk of errors. We have configured our proprietary technology tool, KPMG LINK Country by Country Reporting, to assist with the data gathering and reporting.

KPMG LINK Country by Country Reporting

KPMG's proprietary web-based tax technology application has the ability to capture, format and report your data in one, easy-to-access place. The tool allows you to:

- gather data locally and centrally – using flexible questionnaires and data import functionality.
- report – by aggregating the data from multiple sources to produce OECD compliance ready reports.
- analyze – the system performs key ratio analysis and country mapping to identify risks.
- obtain control and sign off – with built-in controls, status monitoring and supporting documentation upload.



Enterprise Resource Planning (ERP) sensitization

Automating the data collection through your ERP systems is a way of saving time and resource in what will be an annual compliance process. There can be challenges, for example, in capturing taxes on a paid basis and also identifying withholding taxes in the country receiving the income. 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 CbyC reporting requirements.

KPMG member firms have 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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