



# Country by Country Reporting

An overview and comparison of initiatives

—

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# Introduction

## Update

Following on from our previous paper there have been further updates to the requirements previously set out. Most notably the OECD have released the Implementation Package for the country by country reporting (CbC) template under the Base Erosion and Profit Shifting (BEPS) Action Plan, and the EU Commission have published proposals for public country by country reporting.

Background to this paper	Content	Challenges
<p>Trend of companies being scrutinised as to whether they are paying their 'fair share' of taxes continues. The debate first gained traction in the UK and has now moved to a global debate around transparency and how multi-national businesses are taxed. With the internationalisation of businesses, rise of the digital economy and the challenges of the OECD Base Erosion and Profit Shifting (BEPS), companies are preparing for the new environment.</p> <p>The landscape is changing and providing greater transparency around tax, either to tax authorities around the world and/or to the public is something companies are now preparing for. Given the rapidly changing environment it can be difficult to keep pace with the various proposals and to assess the impact that these will have on your business and to plan how you will comply.</p> <p>This paper sets out a high level summary of the various legislative proposals and consultations to assist you in assessing how these will affect you. To discuss any of these in more detail please get in touch with the contacts in this report or your usual KPMG contact.</p>	<p>There are now a number of frameworks both legislative and voluntary, that have been implemented or are being considered for implementation. Initially these focused on the extractives sector, but more recent proposals will impact on all industries and sectors.</p> <p>The initiatives discussed in this paper cover:</p> <ul style="list-style-type: none"><li>— Action 13 of the OECD's BEPS (Base Erosion and Profit Shifting) Action Plan regarding country by country reporting and transfer pricing documentation.</li><li>— EU Commission proposal for public country by country reporting.</li><li>— Capital Requirements Directive IV (CRD IV).</li><li>— EU Accounting Directive: Chapter 10.</li><li>— Dodd Frank Act: Section 1504.</li><li>— Extractive Industries Transparency Initiative (EITI).</li></ul> <p>This paper provides a brief introduction, the reporting requirements, current status and some of the issues to be considered. The key requirements of the legislative frameworks are summarised into a table for comparison on page 14. The paper is based on our understanding of the key requirements as at 12 April 2016 and should not be taken to be comprehensive. It will be updated periodically as and when there are any new developments.</p>	<p>Country by country reporting was initially focused on a few specific sectors, but given the requirements from the OECD, this is now a pressing issue for all multinationals.</p> <p>Companies will need to consider the level of resources and costs involved in gathering the data, the ease of gathering the data and potential system changes and how technology can assist. Consideration should be given to whether a form of assurance over the process is appropriate given the potential uses of the data both by tax authorities and the public.</p> <p>Due to the risk of the information being misinterpreted, providing an accompanying narrative and articulating the tax position, will assist in making the information as useful as possible to the reader.</p> <p>The tax transparency debate is constantly evolving and companies should be actively involved in shaping this debate, as well as keeping abreast of proposals and how this may impact them.</p>

# CbC Reporting and Transfer Pricing Documentation (OECD Action 13)

## Introduction

On 19 July 2013 the OECD released an Action Plan on Base Erosion and Profit Shifting (BEPS). The Action Plan covered 15 specific Actions. Action 13 focused on a company's global value chain and transfer pricing policy and documentation. It aims to introduce consistent documentation and access to information to ensure all relevant tax authorities have access to the same information about a group's value chain and the resulting tax consequences for the purposes of transfer pricing risk assessment.

Following a public consultation process, the final template was published on 16 September 2014, which set out the data requirements and definitions. The OECD issued guidance on 06 February 2015 setting out which groups will be required to file the report, the timing of preparation and filing, the conditions underpinning the obtaining and use of the report and the framework for exchange mechanisms between governments.

On 08 June 2015 the OECD released the Implementation Package which provides further guidance on the filing mechanism, scope of groups impacted, conditions for obtaining the report and the framework for the exchange of the reports. The report provides model legislation and agreements although it will be for each country to adopt the requirements into local law so there may be some local variations.

On 05 October 2015, the OECD published final guidance on the implementation of their proposals under Action 13 of BEPS. The final guidance consolidates the three papers previously released by the OECD.

Also on 05 October 2015, the UK Government issued for consultation the draft regulations to implement CbC in the UK and on 26 February 2016, HMRC published final UK regulations on CbC.

## Timeline

The key dates in relation to Action 13 are:

- 30 January 2014 – Discussion Draft published.
- 16 September 2014 – Final template published.
- 06 February 2015 – Guidance on implementation plan issued.
- 08 June 2015 – Implementation package issued & OECD webcast held.
- 05 October 2015 – Final OECD guidance published.
- 05 October 2015 – UK draft regulations issued
- 26 February 2016 – Final UK regulations.

# CbC Reporting and Transfer Pricing Documentation (OECD Action 13) (cont.)

<p><b>Who does it affect?</b></p> <p>Multinational enterprises (MNEs) with consolidated group revenues in excess of €750 million in the previous accounting period (converted into group reporting currency at the average exchange rate).</p> <p>In the UK, the primary requirement is to file a global country by country report (CbC) for MNE's over the threshold with a UK tax resident ultimate parent.</p> <p>In the UK, the secondary requirement is to file a UK CbC incorporating the data for UK headed sub-group where there is a UK taxable presence, but the ultimate parent is not UK tax resident and certain criteria apply. These criteria are where 1) the parent country jurisdiction has not introduced CbC requirements; or 2) there are no exchange mechanisms in place between that jurisdiction and the UK; or 3) the exchange mechanism is not effective. There are certain exceptions to this, broadly being where the required data is included in a CbC report which the UK will receive through an alternative filing or sharing mechanism.</p> <p>There is an optional surrogate filing permitting an ultimate parent that is not tax resident in the UK to file a global CbC in the UK providing certain criteria are met.</p>	<p><b>Timing and submission</b></p> <p>The UK legislation introduces the requirements for accounting periods beginning on or after 1 January 2016.</p> <p>The report should be filed with HMRC within 12 months of the end of the relevant accounting period.</p> <p>It is intended that the report will be exchanged electronically, using a common XML (Extensible Markup Language) schema.</p> <p>HMRC will automatically share the report with countries entitled to receive the template providing there is a competent authority agreement in place or exchange if permitted under the treaty or a tax information exchange agreement.</p>
<p><b>Reporting requirements</b></p>	
<p><b>CbC template to include on a tax jurisdiction basis:</b></p> <ul style="list-style-type: none"> <li>— Revenues (split between related party and unrelated party).</li> <li>— Profit (loss) before income tax.</li> <li>— Income tax paid (including WHT).</li> <li>— Income tax accrued – Current year.</li> <li>— Stated capital.</li> <li>— Accumulated earnings.</li> <li>— Number of employees.</li> <li>— Tangible assets other than cash and cash equivalents.</li> </ul>	<p><b>Page 2 of the template should list for each tax jurisdiction (i.e. country):</b></p> <ul style="list-style-type: none"> <li>— Name of constituent entities resident in each tax jurisdiction.</li> <li>— Tax jurisdiction of incorporation if different from tax jurisdiction of tax residence.</li> <li>— Business activities for each constituent entity from a pre-defined list of options.</li> </ul> <p>A third page of additional information can be included if groups wish to add explanations.</p>

# CbC Reporting and Transfer Pricing Documentation (cont.)

## Some key considerations

### Sources of data

Recognising groups have different financial systems, accounting policies and approaches to tax management and reporting, the OECD have allowed flexibility in the source of data. Although a consistent approach should be followed year on year it appears changes can be made if the reasons and implications for this are explained. Groups will need to determine the best approach for them and consider the implications of using group versus local GAAP.

### Entity versus country level reporting

The template requires data to be disclosed on an aggregated country basis, rather than an entity level which was originally proposed. Groups may nevertheless need to gather data entity by entity and then aggregate it to produce the country level data where they do not currently consolidate all entities and all the data points on a country basis.

### Scope

Clarity has been provided that 'any separate business' is in the scope of the rules including trusts and partnerships.

Entities that are included within the consolidated group for financial reporting purposes should be included in the template. This may simplify the process of determining how to treat joint ventures and minority interests.

### Data Definitions

The OECD have provided guidance on what should be included for each piece of data although this is deliberately high level. There is an expectation of consistency in application across the data points, across countries and over time. It is worth investing time up front to determine how to interpret the guidance for your group, agree on the assumptions you are going to make and documenting these to ensure consistent application and retain support for the final filing.

## Independent contractors

Independent contractors may be included where they are 'participating in ordinary operating activities'. Groups will need to consider what this means for their business and the most appropriate reporting.

### Reconciliation

There is no formal requirement for reconciliation to group financial statements or local filings. However groups should consider whether it is appropriate to do this for internal control purposes, and to be armed with the facts should local administrations raise queries.

### Filing mechanism

The CbC report should be filed with HMRC who will then share this automatically to countries where the MNE has a taxable presence, providing a Competent Authority Agreement is in place and certain conditions are met on confidentiality, consistency and appropriate use.

## Transfer Pricing Documentation

The OECD is proposing a 'big picture' approach to documentation. It has outlined a two-tiered structure: a 'Master File' (MF) containing information about the group including its organisation structure, description of its business, intangibles, and financial and tax position and a 'Local File' (LF) that is more akin to what we already see in most local TP documentation.

The MF focuses on value drivers of business profit and companies will need to elaborate on the group's five largest products and/or service offerings.

The text of Chapter V of the Transfer Pricing Guidelines will be updated with the final Action 13 guidance published by OECD on 05 October 2015.

# CbC Reporting and Transfer Pricing Documentation (cont.)

## Transfer Pricing Documentation (cont.)

Groups will need to consider the format and approach for the MF, and how they leverage existing documentation to produce this. As it is going to many tax authorities it is essential it is succinct, clear and consistent with existing public information about the company.

The intention is that both the MF and LF should be filed directly with the tax administrations in each relevant jurisdiction.

Many countries are now in the process of enacting legislation to bring this into effect. Some require the LF and/or MF to be filed with the tax return, some require contemporaneous filing of the LF and/or MF with the tax return is filed, and others provide time for companies to prepare once requested by the tax authority.

In the UK, whilst the CbC requirements from Action 13 have been brought into UK tax legislation, the MF and LF requirements have not. Secondary legislation is in place in the UK so that when updated guidelines are issued by the OECD, HMRC/HMT can issue a regulation to bring the new OECD guidelines, including the new Chapter V into UK legislations. It is not currently anticipated that HMRC will change the TP documentation compliance burden on UK companies by requiring LF and MF to be submitted alongside the tax return.

In practice, many UK groups are preparing MF and LF templates since they are a mandatory requirement in the territories of many of their overseas subsidiaries, as well as complying with the general UK tax rules around the requirement to have records to support the entries in tax returns.

# EU Commission Proposal: Public Country by Country Reporting

## Introduction

On 12 April 2016, the European Commission (EC) published its proposal for public CbC, under an amendment to the Accounting Directive 2013/34/EU.

The proposal sets out a requirement for details of the business activities, number of employees, turnover (including related party turnover), profit, accumulated earnings, and income tax accrued and income tax paid to be made public, via disclosure on the company's website, as well as being filed with a business register within the EU.

This will be on a country by country basis for data within EU Member States and jurisdictions 'which pose particular challenges'. Data for all other territories will be aggregated into a single line of the report

The EC expects to issue a draft 'Tax Haven' list of countries which 'pose particular challenges' by Autumn 2016. Characteristics will include those which do not meet the transparency, exchange of information, fair tax competition, and the standards set by the OECD and G20.

Groups will need to consider the extent to which they wish to publish further narrative to support public reporting.

## Status and Timing

Following the publication of the proposals, they now require consideration by the European Parliament and Council, and must be adopted by a qualified majority. This is where at least 55% of the Member States (therefore at least 16 of the 28 Member States) are in favour of the proposal, and the proposal is supported by Member States representing at least 65% of the total population of the EU.

Once adopted, EU Member States will have one year to transpose into national legislation.

It would appear that this is unlikely to apply to 2016 data, however we will need to wait for the approval process at EU level and for local legislation to understand timing and any country specific nuances.

## Key challenges

### Differing country implementation

As with OECD CbC requirements, countries may interpret legislation in different ways, and introduce it to differing timelines so groups need to consider how they achieve a consistent disclosure for each country and monitor developments.

### Material discrepancies explanations for public understanding

The public report will require groups to explain 'material discrepancies' at a group level between the taxes accrued and the taxes paid. This goes further than the OECD BEPS recommendation, requiring multinational groups to reconcile and contextualize their data, and considerations will need to be given to how to explain this for the public audience.

### Alignment with OECD CbC requirements

The public CbC reporting requirements are similar to the OECD proposals, but clarification is required to confirm whether the data definitions are the same (e.g. net turnover versus revenue for Action 13). We understand the intention is for alignment with as the OECD Action 13 definitions.



# EU Commission Proposal: Public Country by Country Reporting (cont.)

<p><b>Who does it affect?</b></p> <p>Multinational enterprises (MNEs) with consolidated group revenues in excess of €750 million in the previous accounting period (converted into group reporting currency at the average exchange rate) which are either EU-parented or have EU subsidiaries or branches.</p> <p>Groups that meet the requirements for the OECD Action 13 CbC will be required to publish a public CbC under these proposals if they have an EU presence.</p> <p>Banks established in the EU are already within the scope of CRD IV and can continue to follow CRD IV (instead of these proposals) providing their disclosure is expanded to cover all of the entities in their group, as CRD IV only applies to regulated entities.</p> <p>Given there are differences between CRD IV and these proposals, the this may be assessed further as discussions continue.</p>	<p><b>Disclosure requirements</b></p> <p>For EU-parented groups, the EU parent would publish the data on its website and on its country's trade register. For non-EU parented groups, the default position is that each EU entity will have to publish the data on its website and on its country's trade register. The information has to be kept on the applicable website for five years.</p> <p>There is an option for a non-EU parent to publish the data on its website and then designate a single EU subsidiary to do the filing on the EU register.</p> <p>The commentary indicates that the auditor will need to confirm that the required data has been published, and published in the correct places.</p> <p>The data requirements listed below will be reported on an aggregated basis by each EU Member State and identified tax havens. The EC expects to have a draft of this list by Autumn 2016.</p> <p>Data for all other territories will be aggregated into a single line of the report.</p>
<p><b>Reporting requirements</b></p>	
<p><b>What to report</b></p> <ul style="list-style-type: none"> <li>— Net turnover (including related party turnover).</li> <li>— Profit/(loss) before income tax.</li> <li>— Income tax accrued – Current year.</li> <li>— Income tax paid.</li> <li>— Accumulated earnings.</li> <li>— Number of employees.</li> <li>— Details of business activities.</li> </ul>	<p><b>Timing and Penalties</b></p> <p>The proposals now require consideration by the European Parliament and Council, and must be adopted by a qualified majority.</p> <p>This is where at least 55% of the Member States (therefore at least 16 of the 28 Member States) are in favour of the proposal, and the proposal is supported by Member States representing at least 65% of the total population of the EU.</p> <p>Once adopted, EU Member States will have one year to transpose into national legislation so unlikely to be until 2017 or later.</p>

# Capital Requirements Directive IV

## Introduction

The Capital Requirements Directive IV (CRD IV) brings in transparency rules for EU institutions. CRD IV has introduced a requirement for institutions to disclose, on a country by country basis, information on; activities, turnover, employees, profits and corporate taxes.

## Timing

The first year report relating to the most recent accounting period ending prior to 01 July 2014 required public reporting of name, nature of activities, geographical location, turnover and number of employees and in scope entities.

After the first year reporting period, institutions must disclose the following additional items, profit or loss before tax, tax on profit or loss and public subsidies received. The ongoing reporting deadline is 31 December each year (starting 31 December 2015) and disclosures should relate to the most recently ended accounting period prior to the reporting deadline.

Depending on the institution's year end, this may mean that the accounting period between the first year report and subsequent year report may not be reported, which is in line with the rules.

## Key challenges

### Differing country implementation

Some countries have interpreted legislation in different ways, for example regarding filing requirement for data where parent is elsewhere, so groups need to consider how they achieve a consistent disclosure for each country.

### Recognising wider contribution

The disclosure requirements for tax are limited to corporate income tax only, which is only one part of a company's total tax contribution. The legislation allows for disclosure of more information than required, and so groups should consider their overall strategy and whether they want to pro-actively demonstrate their wider contribution.

### Alignment with OECD CbC requirements

The CRD IV reporting requirements are similar to the OECD proposals, but only apply to regulated entities and have less data points, so institutions need to ensure data is consistent in each report, and that they create an efficient single compliance process to manage both obligations.

# Capital Requirements Directive IV (cont.)

<p><b>Who does it affect?</b></p> <p>CRD IV applies country by country reporting to 'institutions'. Institutions are defined as credit institutions and investment firms. Credit institutions are defined as 'a business whose undertaking is to receive deposits or other repayable funds from the public and to grant credits for its own account'. This includes all banks. Investment firms are 'any person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis'. Broadly, this excludes firms which are not permitted to hold client money.</p>	<p><b>Disclosure requirements</b></p> <p>CRD IV does not provide a template for disclosures and does not allocate responsibility for providing such a template to any particular organisation. Institutions have determined their own approach to disclosure, based on common practice reporting.</p>
<p><b>Reporting requirements</b></p>	
<p><b>What needs to be reported</b></p> <p>CRD IV requires credit institutions and investment firms to report the following information by member state and third countries in which it has an establishment, on a consolidated basis:</p> <ol style="list-style-type: none"> <li>a. Nature of activities and geographical location.</li> <li>b. Turnover.</li> <li>c. Number of employees (on a full time equivalent basis).</li> <li>d. Profit or loss before tax.</li> <li>e. Tax on profit or loss.</li> <li>f. Public subsidies received.</li> </ol>	<p><b>When is reporting required</b></p> <ul style="list-style-type: none"> <li>— Items <b>a to c</b> had to be publically reported by all institutions on <b>1 July 2014</b>.</li> <li>— In addition items <b>d to f</b> needed to be provided to the European Commission confidentially by Global Systematically Important Institutions (<b>GSII</b>s) by <b>1 July 2014</b>. G-SII's are to be identified by a designated authority in accordance with a methodology based on specified criteria.</li> <li>— By <b>31 December 2015</b>, annual reporting of items <b>a to f</b> will be required by all institutions, and must be audited. This information should be made available to the public.</li> </ul>

# EU Accounting Directive: Chapter 10

## Introduction

In July 2013 a Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings was approved by the European Parliament. This piece of legislation follows on from the Dodd Frank Act Section 1504 legislation in the US, and requires large undertakings and all public-interest entities active in the extractive industry or the logging of primary forests, to prepare and make public a report on payments made to governments on an annual basis.

## Status

Member states issued laws to enforce its application and reporting had to begin for financial years commencing on or after 1 January 2016 at the latest. The UK implemented earlier than many other Member States, and as such the Reports on Payments to Government Regulations 2014 apply to financial years commencing on or after 1 January 2015.

UK entities with an EU resident parent may qualify for an exemption from filing in the UK for 2015 and beyond if the parent is subject to equivalent consolidated reporting requirements in its home state.

As well as applying to UK resident entities and parented groups, the UK regulations also apply to many foreign-resident groups listed in the UK under the FCA's Disclosure and Transparency Rules.

## Timing

UK companies in scope are required to publish the report no later than 11 months in after the end of their financial year by filing electronically with Companies House.

Groups subject to the FCA requirements must publish the report within six months of the end of their financial year. The FCA has not specified a filing mechanism or format, but requires relevant groups to make the report publicly available for at least 10 years.

# EU Accounting Directive: Chapter 10 (cont.)

<p><b>Who does it affect?</b></p> <p>Large undertakings and public-interest entities in the EU, with an activity involving exploration, prospection, development and extraction of minerals or oil and gas, or the logging of primary forests.</p> <p>In addition, the rules will apply to many foreign-resident groups that are listed on a European stock exchange under the Disclosure and Transparency Rules.</p> <p>The definition of large is determined by meeting two of three criteria in relation to balance sheet total, turnover or average number of employees.</p> <p>Public interest entity refers to entities with transferable shares listed on a regulated market in the EU, certain credit institutions and certain insurance institutions.</p>	<p><b>What does it require?</b></p> <p>The disclosure of all payments to governments in individual and consolidated reports.</p> <p>The reports are part of a company's annual financial reporting obligations and shall be published as laid down by the laws of each Member State.</p> <p>Where the parent of a subsidiary is located in a Member State, and that subsidiary payment is included in a consolidated report by the parent, the subsidiary is relieved from its reporting obligations.</p>
<p><b>Reporting requirements</b></p>	
<p><b>Disclosure requirements</b></p> <ul style="list-style-type: none"> <li>— All single or series of payments over €100,000 within a financial year.</li> <li>— The total payments made to each government.</li> <li>— For each type of payment, the total amount of payments made per project.</li> <li>— Payments in kind need to be reported in value or in volume.</li> <li>— This will be on a consolidated level where the parent has an obligation to prepare consolidated financial statements.</li> </ul>	<p><b>Payments to be disclosed</b></p> <ul style="list-style-type: none"> <li>— Taxes levied on income, production or profits.</li> <li>— Dividends.</li> <li>— Royalties.</li> <li>— License fees, rental fees, entry fees.</li> <li>— Production entitlements.</li> <li>— Signature, discovery and production bonuses.</li> <li>— Payments for infrastructure improvements.</li> </ul>

# Dodd Frank Act: Section 1504

## Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd- Frank Act) was signed into law by President Obama on 21 July 2010 and primarily focuses on financial regulatory reform.

Section 1504 of the Act concerns the reporting of financial payments to governments and government agencies made for the purpose of developing oil, gas and mineral reserves. It is part of a global movement to enhance the public scrutiny of the relationship between extractive industries and host governments.

## Status

On 2 July 2013, a U.S. District Court determined Section 1504 was, in part, 'arbitrary and capricious' and vacated the rule. Discussions have continued between the SEC and industry representatives, and revised regulations were published by the SEC on 11 December 2015. Assuming the SEC adopts the proposed regulations as final in June 2016 and the US Federal Courts adopt them within this timeframe, the regulations will apply to companies with accounting periods beginning on or after 1 July 2016.

## Key challenges

### Infrastructure improvements

Identifying and valuing infrastructure improvements, including complexities around transfers, work in progress and shared use of assets.

### Government bodies

Defining and identifying the multitude of local government bodies, including agencies, government controlled entities and state and municipal level governments.

### Joint arrangements

Where companies engage in joint ventures or contractual arrangements, they must use a 'facts and circumstances' approach to determine whether they have control. This will in turn ascertain if they need to disclose the payments in relation to that arrangement.

# Dodd Frank Act: Section 1504 (cont.)

<p><b>Who does it affect?</b></p> <p>Any company that is engaged in the commercial development of oil, natural gas, or minerals, and is required to file annual reports with the Securities and Exchange Commission (SEC) i.e. 10-K, 20-F or 40-F.</p> <p>This includes a subsidiary of that company, or an entity under the control of the company.</p>	<p><b>What does it require?</b></p> <p>Affected companies are required to submit annually their global payments to governments covering:</p> <ul style="list-style-type: none"> <li>— The type and total amount of such payments made for each project of the resource extraction issuer relating to the commercial development of oil, natural gas or minerals.</li> <li>— The type and total amount of such payments made to each government.</li> </ul>
<p><b>Reporting requirements</b></p>	
<p><b>Disclosure requirements</b></p> <p>An annual report must be filed on Form SD with the SEC, in XBRL format using specified electronic tagging as defined by the SEC.</p> <ul style="list-style-type: none"> <li>— De-minimis reporting requirement of \$100,000 for one payment or a series of payments.</li> <li>— The total payments to each government.</li> <li>— The total amount of payments made per project and business segment.</li> <li>— There is no audit requirement.</li> </ul>	<p><b>Payments to be disclosed</b></p> <ul style="list-style-type: none"> <li>— Taxes levied on income, production or profits.</li> <li>— Royalties.</li> <li>— Fees such as; license, rental, and entry.</li> <li>— Production entitlements.</li> <li>— Bonuses such as; signature, discovery, and production.</li> <li>— Dividends.</li> <li>— Payments for infrastructure improvements.</li> <li>— Payments in kind must be reported at cost, or if not possible, at fair market value.</li> </ul>

# Extractive Industries Transparency Initiative (EITI)

## Introduction

The Extractive Industries Transparency Initiative (EITI) is widely viewed as the driver for global transparency for improving governance of natural resources in the extractives industry.

It is an international standard with a flexible methodology that is voluntarily entered into by governments in order to reconcile payments between the parties in developing nations. It is developed and overseen by a coalition of governments, companies, civil society, investors and international organisations.

## Status

### Compliant and candidate countries

As at 31 March 2016, there are 51 implementing countries and 31 countries are now EITI compliant, which means they are meeting all the requirements.

### UK status

On 15 October 2014, the EITI Board admitted United Kingdom as an EITI candidate country. In accordance with the EITI standard, United Kingdom published its first EITI report (covering the 2014 calendar year), on 15 April 2016.

### Company progress

Approximately 90 of the world's largest oil, gas and mining companies support and actively participate in the EITI process in some form.



# Extractive Industries Transparency Initiative (EITI) (cont.)

<p><b>Who does it affect?</b></p> <p>Governments and extractives industry companies involved in exploration and production of oil, natural gas or minerals.</p> <p>EITI is signed up to voluntarily by countries, but once they sign up it requires that all companies and all government agencies making or receiving material payments participate.</p>	<p><b>What does it require?</b></p> <p>The framework provides guidance on the disclosure requirements, but it is for the implementing country to define the exact framework.</p> <p>Companies must report to the government running the EITI country program using the relevant template.</p> <p>Country governments produce the report.</p> <p>Reports are analysed and reconciled by a third party, and then published.</p>
<p><b>Reporting requirements</b></p>	
<p><b>Disclosure requirements</b></p> <ul style="list-style-type: none"> <li>— Companies disclose all material payments to government.</li> <li>— Governments disclose extractive industry revenues.</li> <li>— Materiality levels are set by the country multi-stakeholder group.</li> <li>— Contextual information on the industry and country must be provided in the report.</li> <li>— EITI compliant countries must make the reports publically available.</li> </ul>	<p><b>Payments to be disclosed</b></p> <ul style="list-style-type: none"> <li>— Profit taxes.</li> <li>— The host government's production entitlement.</li> <li>— Royalties.</li> <li>— Dividends.</li> <li>— Bonuses such as; signature, discovery and production.</li> <li>— License fees, rental fees, entry.</li> <li>— Any other significant payments and material benefits to government.</li> </ul>

# Comparison of data requirements

		Action 13 BEPS Country by Country reporting	Public Country by Country Reporting (EU Proposal)	Capital Requirements Directive IV	The EU Accounting Directive: Chapter 10	The Dodd Frank Act: Section 1504
Basic information	Entity name	✓		✓		
	Activities	✓	✓	✓		
	Geographical location/Tax jurisdiction	✓		✓	✓	✓
	Project name				✓	✓
	Receiving government				✓	✓
Financial data	Revenue	✓	✓	✓		
	Profit or loss before tax	✓	✓	✓		
	Tangible assets other than cash or cash equivalents	✓				
	Stated capital	✓				
	Accumulated earnings	✓	✓			
Tax data	Income taxes paid	✓	✓	✓	✓	✓
	Income tax charge	✓	✓			
Other data	Public subsidies received			✓		
	Dividends				✓	✓
	Royalties				✓	✓
	License fees, rental fees, entry fees				✓	✓
	Signature, discovery and production bonuses				✓	✓
	Production entitlements				✓	✓
	Payments for infrastructure improvements				✓	✓
People data	Number of employees	✓	✓	✓		

# Comparison of legislative requirements

	UK Country by Country reporting	Public Country by Country Reporting (EU Proposal)	Capital Requirements Directive IV	The EU Accounting Directive: Chapter 10	The Dodd Frank Act: Section 1504
Who is affected	<p>Multinational Enterprises (MNEs) with a consolidated group revenue in excess of €750 million and either a:</p> <ul style="list-style-type: none"> <li>— UK tax resident ultimate parent; or</li> <li>— UK headed sub-group with UK taxable presence, but ultimate parent is not UK tax resident and certain criteria apply.</li> </ul>	<p>Multinational Enterprises (MNEs) with a consolidated group revenue in excess of €750 million which are either EU-parented or have EU subsidiaries or branches.</p>	<p>CRD IV applies country by country reporting to 'institutions' in the EU. Institutions are defined as credit institutions and investment firms.</p>	<p>Large undertakings and public interest entities incorporated in the EU, active in exploration, prospection, development and extraction of minerals or oil and gas, or logging of primary forests. In addition, it will apply to many foreign-resident groups that are listed on an EU stock exchange under the FCA's Disclosure and Transparency Rules.</p>	<p>SEC registered companies engaged in the commercial development of oil, natural gas, or minerals.</p>

# Comparison of legislative requirements (cont.)

	UK Country by Country reporting	Public Country by Country Reporting (EU Proposal)	Capital Requirements Directive IV	The EU Accounting Directive: Chapter 10	The Dodd Frank Act: Section 1504
When does it come into effect	The final UK regulations were published on 26 February 2016. The first period in scope is accounting periods beginning on or after 1 January 2016.	EU proposal awaiting adoption by EU Parliament and EU Council, before being transposed into local legislation (up to one year after date of adoption). Exact timing and periods affected unclear but unlikely to apply for 2016 data.	Names and activities, turnover and number of employees were initially reported on 1 July 2014 based on most recently available financial statements. Subsequent full reporting is due by 31 December each year starting from 31 December 2015 relating to the most recently ended accounting period.	Reporting begins for financial years commencing on or after 1 January 2016 at the latest. UK implemented the rules for accounting periods on or after 1 January 2015 and require filing no later than 11 months after the end of their financial year. Groups subject to FCA requirements must publish within six months of the end of their financial year.	The final timing of this is still to be confirmed. The SEC published revised regulations on 11 December 2015, assuming the SEC adopts the revised regulations as final in June 2016 and the US Federal Courts adopt them within this timeframe, the regulations will apply to companies with accounting periods beginning on or after 1 July 2016.
Threshold	Multinationals with consolidated group revenues of more than €750 million (or local equivalent)	Multinationals with consolidated group revenues of more than €750 million (or local equivalent)	No threshold	Payments (singular or series) exceeding €100,000	Payments (singular or series) exceeding US\$ 100,000

# Comparison of legislative requirements (cont.)

	UK Country by Country reporting	Public Country by Country Reporting (EU Proposal)	Capital Requirements Directive IV	The EU Accounting Directive: Chapter 10	The Dodd Frank Act: Section 1504
Data aggregation	<ul style="list-style-type: none"> <li>By country</li> </ul>	<ul style="list-style-type: none"> <li>By country (EU Member States and Tax Havens on list yet to be drafted)</li> <li>Aggregated on single line for all other territories</li> </ul>	<ul style="list-style-type: none"> <li>By country</li> <li>By 'institution</li> </ul>	<ul style="list-style-type: none"> <li>By country</li> <li>By project</li> <li>By government</li> </ul>	<ul style="list-style-type: none"> <li>By country</li> <li>By project</li> <li>By government</li> </ul>
Format of report and audit requirement	<p>Set template format separate from tax return and accounts.</p> <p>Electronic filing likely using XML.</p> <p>No audit requirement based on OECD recommendations.</p>	<p>Disclosure on company website(s) and country's trade register, being publicly available for 5 years. No prescribed format.</p> <p>Auditor to confirm that required data has been published, and published in the correct places.</p>	<p>In practice, this has been on institutions websites, with financial statements stating how the requirement has been met.</p> <p>Audit requirement.</p>	<p>Part of a company's annual financial reporting obligations and shall be published as laid down by the laws of each Member State.</p> <p>UK companies file electronically with Companies House. Groups subject to FCA requirements must make report publically available but no format or filing mechanism specified.</p> <p>Audit requirements will be dependent on the Member State laws.</p>	<p>Form SD – Electronic filing using XBRL.</p> <p>No audit requirement.</p>

# Comparison of legislative requirements (cont.)

	UK Country by Country reporting	Public Country by Country Reporting (EU Proposal)	Capital Requirements Directive IV	The EU Accounting Directive: Chapter 10	The Dodd Frank Act: Section 1504
What needs to be reported	<ul style="list-style-type: none"> <li>— Constituent entities resident in tax jurisdiction</li> <li>— Tax jurisdiction of incorporation if different from tax jurisdiction of residence</li> <li>— Activities by entity</li> <li>— Revenues (split between related party and unrelated party)</li> <li>— Earnings before income tax</li> <li>— Income tax paid (including WHT)</li> <li>— Current income tax charge</li> <li>— Stated capital</li> <li>— Accumulated earnings</li> <li>— Number of employees</li> <li>— Tangible assets other than cash and cash equivalents</li> </ul>	<ul style="list-style-type: none"> <li>— Net Turnover</li> <li>— Profit/(Loss) before tax</li> <li>— Income tax charge</li> <li>— Income tax paid</li> <li>— Accumulated earnings</li> <li>— Number of employees</li> <li>— Activities by country</li> </ul>	<ul style="list-style-type: none"> <li>— Institution name</li> <li>— Country</li> <li>— Nature of activities and geographical location</li> <li>— Tax on profit or loss</li> <li>— Profit or loss before tax</li> <li>— Turnover</li> <li>— Number of employees</li> <li>— Public subsidies received</li> </ul>	<ul style="list-style-type: none"> <li>— Project name</li> <li>— Name of receiving government</li> <li>— Country of receiving government</li> <li>— Taxes levied on income, production or profits</li> <li>— Dividends</li> <li>— Royalties</li> <li>— License fees, rental fees, entry fees</li> <li>— Production entitlements</li> <li>— Signature, discovery and production bonuses</li> <li>— Payments for infrastructure improvements</li> </ul>	<ul style="list-style-type: none"> <li>— Project name</li> <li>— Name of receiving government</li> <li>— Country of receiving government</li> <li>— Taxes levied on income, production or profits</li> <li>— Dividends</li> <li>— Royalties</li> <li>— License fees, rental fees, entry fees</li> <li>— Production entitlements</li> <li>— Signature, discovery and production bonuses</li> <li>— Payments for infrastructure improvements</li> </ul>

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