

What impact will BEPS Action 13 have on your reporting process?

■ BEPS

Top 5 Country-by-Country Reporting Challenges for Multinational Enterprises and How Technology Can Solve Them

On the surface, the country-by-country (CbC) reporting requirements set forth by the OECD may seem like a simple task. After all, you have a full 12 months after fiscal year-end to complete what looks like a quick fill-in-the-box exercise, right? Wrong.

After reading the regulations more closely, you realize you should be ready by fiscal year-end to notify tax authorities worldwide as to which entities in your multinational enterprise (MNE) group will file the CbC reports. That's challenging because some jurisdictions may receive the CbC reports from the ultimate parent entity, some from a surrogate entity and some from a local entity.

It appears some countries may follow the OECD guidance for CbC reporting while others require even more transparency—including requiring your local subsidiary to file a CbC report without waiting for automatic exchange at the parent jurisdiction level.

Further, there are special rules for currency conversion, roll-ups of branches and partnerships, and disregarded entities and entities resident in “stateless” jurisdictions. Not to mention multiple reporting formats (i.e., special forms, XML using prescribed schema, etc.) and possibly languages, as well as various electronic submission portals and numerous reporting deadlines, both with regards to the notification requirements and the actual CbC report submission. Add to that the complexity of jurisdictions continually evolving and updating their rules, often with retroactive effect.

Needless to say, CbC reporting is no easy task, but technology can significantly ease the burden. Below are five major CbC reporting challenges and how technology can solve them.



CHALLENGE	SOLUTION
<p>1 Complying with CbC notification and filing requirements in multiple jurisdictions</p> <p>CbC reporting may require you to file in several jurisdictions or decide which country to use as the surrogate reporting entity.</p> <p>How do you know which is the better option?</p> <p>With country-specific regulations constantly changing, how do ensure that your report is automatically updated in alignment with your organization’s global footprint?</p> <p>Is there a way to produce multiple country-compliant CbC reports in local currency from one data source and file them in multiple jurisdictions electronically?</p>	<p>The latest tax technology tracks CbC implementation rules in all jurisdictions worldwide, including effective dates, reporting thresholds, and deviations from OECD guidelines. It automatically applies these rules to your global footprint instantaneously producing a customized report. This report states exactly which jurisdictions you need to file CbC reports in, how you should file, and by when.</p> <p>Further, tax technology keeps track of all bilateral and multilateral agreements worldwide, including tax treaties, tax information exchange agreements, mutual assistance conventions, EU directives, and competent authority agreements. It also indicates how jurisdictions will receive their CbC reports. If a surrogate is appointed, it will indicate which jurisdictions qualify.</p> <p>Technology also enables you to produce multiple country-compliant CbC reports in local currency from one data source in the OECD XML schema and reporting jurisdiction in specific forms and languages. You can also file your CbC reports in multiple jurisdictions electronically.</p>
<p>2 Leveraging existing established workflows to populate CbC reports</p> <p>How do you efficiently collect information from multiple data sources within your organization?</p> <p>Is there a way to populate your CbC tables from an existing well-established workflow that leverages your legal entity trial balances?</p>	<p>With flexible data integration options, tax technology allows you to collect information from multiple data sources including source files, such as trial balances by legal entity (which are already available as part of an existing well-established workflow like the tax provision and other requirements during the year-end consolidation process) to build a standardized and sustainable worldwide tax data collection process.</p> <p>The populated CbC reports then automatically circulate within your organization for validation, sign-off and collecting one-off missing data points from remote country controllers and other stakeholders. This includes data needed to reconcile GAAP vs Statutory Reporting.</p>
<p>3 Populating and reconciling related party revenue</p> <p>Your company’s trial balances do not break out related and unrelated party revenues necessary for CbC reporting.</p> <p>How do you report related party revenue?</p> <p>Is there a way to automatically populate related party revenue from an ERP download and other workpapers?</p> <p>How do you ensure that your related party revenue in the CbC table reconciles with the related party revenue in the local file?</p>	<p>Tax technology will automatically populate related party revenue (sales and service, royalties, interest, etc.) from ERP downloads and other tax department workpapers. Separately, it will populate total revenue from legal entity trial balances. Unrelated party revenue is then calculated as the difference between total revenue and related party revenue.</p> <p>Tax technology will also automatically populate the intra group payments and receipts table in the local file using the same data source, thereby ensuring related party revenues in the CbC report and local file always reconcile.</p>

CHALLENGE	SOLUTION
<p>4 Managing entities and charting transaction flows</p> <p>You can't figure out which entities to include in the constituent entities because you don't have one system that captures the information in one place.</p> <p>Is there a way to effectively organize, filter and reconcile entities for CbC reporting?</p> <p>Can you automatically apply country specific rules to flow thru entities and entities resident in certain jurisdictions</p>	<p>With flexible entity management and charting with various filters, tax technology gives you the ability to organize entities and chart transaction flows to highlight various supply chains and intercompany transactions between entities.</p> <p>Built-in logic automatically reads your global chart and applies the relevant aspects to the country-specific CbC report, including which jurisdictions to include. It also automatically rolls-up branches and partnerships to the correct jurisdictions to re-class certain jurisdictions to a stateless category.</p> <p>Using this type of technology, you can easily see the details on each entity, organized by country. It's also a great starting point for master and local files, not only for completing the charting components, but also for ensuring that the entity and jurisdiction counts in master and local files reconcile with the CbC reports.</p>
<p>5 Analyzing CbC reports and running scenarios</p> <p>You've run a CbC trial and are looking for a way to present your findings to senior management so that you can proactively address discrepancies and get ahead of inquiries from tax authorities.</p> <p>How do you properly analyze and display your findings for senior management?</p> <p>Is there a way to run a report that shows how the tax rates in your CbC tables compares with the standard tax rates in each of the jurisdictions?</p> <p>Can you identify outliers and run what-if calculations to analyze the impact on CbC reports?</p>	<p>Using dashboard analytics, you can analyze CbC trial runs and see graphics, tables and heat maps. You can also calculate key ratios based on CbC inputs in an effort to identify outliers or other areas where further documentation or discussion may be required. You can also run what-if scenarios to analyze the impact on CbC reports.</p> <p>The result proactively addresses concerns and discrepancies ahead of inquiries from taxing authorities.</p>



Thomson Reuters ONESOURCE™ BEPS Action Manager combines research, data management, entity charting, document storage, reporting and analytics in a single solution, enabling worldwide compliance and multidisciplinary collaboration for multinational enterprises in a post-BEPS era.

Across the globe, from start to finish, ONESOURCE BEPS Action Manager lays the foundation for a standardized and sustainable worldwide CbC compliance process, enabling multinational enterprises to document and defend their results to taxing authorities. With up-to-date research, country specific compliance, valuable risk assessments and intuitive analytics, multinational tax departments can remain current amidst an ever-evolving legislative landscape and stay ahead of inquiries from various tax administrations.

Addressing the challenges of BEPS by:

- + Leveraging the work products of established existing work streams in your organization to simply and efficiently gather the detailed info for CbC Reporting
- + Creating an automated sustainable, repeatable process to generate country compliant CbC reports year over year
- + Enabling global consistency and transparency of data
- + Documenting and defending results to tax authorities
- + Staying on top of rapidly changing regulations in all countries in the world
- + Simplifying the reporting burden, producing CbC reports in country specific formats all the way to electronic submission
- + Enabling collaboration across departments and geographies
- + Managing risk with analytics that give you a view of your CbC report in the eyes of a tax authority

To learn more, visit tax.thomsonreuters.com/onesource/beps-action-manager

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