



Country by Country Reporting UK implementation

Background

Who's affected?

The UK legislation applies for accounting periods beginning on or after 1 January 2016 for multinational enterprises (MNEs) with consolidated group revenues in excess of €750m in the previous accounting period (converted into group reporting currency at the average exchange rate).

Primary requirement for MNE's over the threshold with a UK tax resident ultimate parent to file a global country by country report (CbCR)

Secondary requirement for UK entities of foreign headed MNEs to file a UK CbCR in certain circumstances. These include where 1) the ultimate parent is not required to file a global CbCR in its country of tax residence; 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 CbCR report which HMRC will receive.

Surrogate filing option - there is an optional surrogate filing permitting a non UK tax resident ultimate parent to file a global CbCR in the UK providing certain criteria are met

Deadlines for submission

The reports are to be filed with HMRC within 12 months of the end of the relevant accounting period. There are various notification requirements which need to be met before the filing deadline for the exceptions to filing a UK CbCR under the secondary mechanism and under the surrogate mechanism

Sharing mechanism

HMRC will automatically share the CbCR with countries listed on the CbCR provided certain criteria are met and the appropriate arrangements are in place via double tax treaties, information sharing agreements or multilateral instruments

How KPMG can help

Strategy

- A recurring question is 'what should we be doing to prepare'? In our experience companies should now be determining whether they are in scope of the UK rules and / or other countries rules, determining their strategy for data collection and reporting, doing dry runs and risk assessing the data.

Scoping

- Determining whether you are in scope of the UK rules either under the primary or secondary mechanism and, if so, which parts of the group should be included in the CbCR template
- Interpreting the definitions – the OECD guidance is high level though 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.

Data gathering process

- Understanding the "as is" position.
- Designing the dry run process:
 - Assessing sources of data available e.g. statutory accounts, consolidated accounts.
 - Assessing options for data extraction, collation and reporting – consider most efficient way to extract data.
 - Assessing technology options
 - Developing guidance for teams to ensure consistent approach to apply definitions and data gathering
- Undertaking a dry run – test assumptions, effectiveness and robustness of data gathering process.
- Risk assessing the data and refining the process.
- Preparing narrative to support the submission and governance around sharing the template internally and handling queries.

CbCR 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	X
Country B	X	X	X	X	X	X	X	X	X	X

CbCR to include supplementary pages listing each constituent entity (including branches, partnerships etc) tax resident in each country identifying where they are incorporated, if different, and ticking 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 managing 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 all countries to assess consistency of data.
- Reconciling the data – e.g. to local statutory accounts / tax returns and / or consolidated accounts
- Analysing data to identify potential areas of challenge by tax authorities.
- Preparing anticipated questions & answers from tax authorities based on this data.
- Undertaking “deep dive” reviews of the data for material or complex countries to ensure accuracy.

Reporting

- Preparing CbCR templates in the required formats.
- Drafting supporting narrative and messaging as needed, to support the report.
- Preparing tax transparency reports for wider publication to convey messaging on the groups tax position

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. 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 CbC reporting requirements.

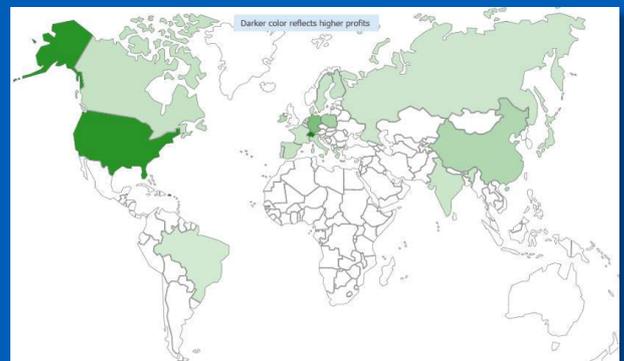
Technology

Sourcing cash tax paid, including withholding taxes, may not be an easy task, even with an advanced enterprise resource planning (ERP) system. Collating and reporting the data in the required format can be 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.

KPMG LINK 360

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;
- Report – by aggregating the data from multiple sources to produce reports in the template format;
- Analyse – the system performs key ratio analysis and country mapping to identify risks;
- Monitor progress and control sign off – with built-in controls, status monitoring and the ability to upload supporting documentation.



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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