

Country-by-country reporting

It all starts with data gathering

Recently the OECD commission published the various Action reports on Base Erosion and Profit Shifting (BEPS). From a Dutch government perspective, several action points can and will lead to direct implementation of or adjustments to tax legislation. However, the Dutch State Secretary of Finance mentioned that there is a substantial amount of items included in the reports that need further elaboration and exploration before any translation into actual legislative changes will take place.

Among the published reports, Action 13 draws the attention as it contains the implementation package and rules to enhance transparency of multinational corporations and transfer pricing policy. Action 13 provides an overview of the various templates to be used for country-by-country (hereafter 'CbC') reporting and local transfer pricing reporting. These templates are specified for country/ entity specific as well as consolidated reporting purposes.

Although these templates and the accompanying specifications are straight forward, it is not clear what specific analysis will be performed by the various tax authorities. One can imagine that, by applying ratio's on the various datapoints and by comparing this with international transfer pricing guidelines, tax authorities will be able to put unforeseeable actions to the data.

For multinational corporations it is necessary to have a clear view of the whereabouts of their transfer pricing/ CbC data. This insight is required not only to mitigate future tax risks but more importantly to have the confirmation that the required data to complete these mandatory documents is available.

Data gathering

Where most of the advisory firms speak about the analysis to be performed on the data, little attention is given to the actual gathering of the data to enable the analysis. The idea of companies to pull **all** the information on a central level and work top-down has proven to be close to impossible. Although there is a lot of data in your ERP system, this data is often either not structured for tax purposes or it is inaccessible for the tax/ finance team. And if you are able to access your systems, you will notice that only a part of the required data can be retrieved from your ERP system.

Companies will be able to pull part of the data from their ERP system(s) but still need to contact their local focal points in order to gather all the additional non-ERP data and source documentation.

Data management

Although the OECD commission published which datapoints are obliged from a global point of view, from a country perspective it may not always be clear what information is required and in what format it should be delivered. Furthermore, the people responsible for an entity in a specific country might lack the knowledge to provide you with the right data or have tax aside of their other daily tasks. Due to this, the data can be delivered in various formats, currencies and versions. This brings us to a more centralized challenge, (data)management.

Think of all the e-mails you send out containing a country specific questionnaire or an Excel template to complete by the local focal points. Next to the challenge of monitoring all outstanding requests, consolidating the data on a central level is even more challenging. And we have not even started talking about issues on version control, document retention or change in legislation/ country template requirements.

Round-up/ solution

Why are talks mainly about **the analysis** to be performed on the data? Moreover, since this is still a grey area which is currently based on assumptions made on the issued reports by the OECD.

How are you gathering the data?

- Wouldn't it be great to have a centralized environment from where:
1. you can send out a data-request to all involved parties within minutes?
 2. you can monitor the status of the requests and remind people of their tasks?
 3. you can gather the data automatically in a controlled environment and most of all consolidate the data by a push of a button?

Impossible and time-consuming?

Let's talk about the elephant in the room, let's discuss data gathering and data management!



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