

LT in Focus

OECD releases additional CbC guidance

On 6 April 2017, the Inclusive Framework on BEPS released [additional guidance](#) on implementation of Country-by-Country (CbC) reporting (hereinafter, the guidance).

The guidance clarifies what data should be included in the CbC report. Read on for the details!

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Should extraordinary income and gain from investment activities be included in the column "Revenues" in the CbC report?

According to the guidance, extraordinary income and gains from investment activities are to be included in "Revenues."

In determining whether the total consolidated group revenue of an MNE Group is less than EUR 750 million, a jurisdiction where the Ultimate Parent Entity resides is allowed to require inclusion of extraordinary income and gains from investment activities in total consolidated group revenue if those items are presented in the consolidated financial statements under applicable accounting rules.

For financial entities, which may not record gross amounts from transactions in their financial statements with respect to certain items, the item(s) considered similar to revenue under the applicable accounting rules should be used in the context of financial activities. Those items could be labeled as 'net revenues' or others depending on accounting rules.

Which entities are considered to be related parties for purposes of reporting related party revenues?

The related parties, which are defined as "associated enterprises", should be interpreted as the Constituent Entities listed in Table 2 of the CbC report.

Therefore, the third column of Table 1 of the CbC report shall contain only revenues received from Constituent Entities listed in the CbC report.

Which accounting principles/standards shall be applied for determining the existence of and membership of a group?

The guidance defines the applicable accounting principles depending on whether a Parent Entity's equity interests are traded on a public securities exchange:

If the equity interests of an Ultimate Parent Entity are traded on a public securities exchange, jurisdictions will require the Group to use the consolidation rules in the accounting standards already used by the Group;

If the equity interests of an Ultimate Parent Entity are not traded on a public securities exchange, jurisdictions may allow the Group to choose to use either local GAAP of the jurisdiction of the Ultimate Parent Entity or IFRS as its governing accounting standard. However, if the jurisdiction of residence of the Ultimate Parent Entity mandates the use of a particular accounting standard for enterprises whose equity is traded on a public securities exchange, this mandatory standard (or one of these mandatory standards) must be used.

Exceptionally, if a jurisdiction's consolidation rules generally require investment entities to be consolidated with investee companies, the jurisdiction may mandate the use of IFRS consolidation rules.

Any such deviation from the accounting standards generally followed for the CbC report of a particular MNE Group should be noted in Table 3 of the CbC report.

Where there are minority interests held by unrelated parties, should the consolidated group revenue include 100 percent of the Constituent Entity's revenue or should the revenue be pro-rated?

In answering the question, the Guidance refers to the applicable accounting rules.

In particular, if the accounting rules require such Constituent Entities to be fully consolidated, the 100 percent of the entity's revenue should be included.

In contrast, if the accounting rules require proportionate consolidation in the presence of minority

interests, then the jurisdiction may allow the entity's revenue to be pro-rated for the purpose of applying the EUR 750 million threshold and may also allow its financial data that is included in the CbC report to be pro-rated.

We hope that you will find this newsletter interesting and informative. Please feel welcome to contact us for more information on the topics covered.

Best regards,

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