

BEPS Action 13: Transfer Pricing Documentation and Country-by-Country Reporting - Update

On 2 April 2014 the OECD announced via a BEPS update webcast <http://bit.ly/1hnlH1T> that tentative decisions have been taken to streamline the initial proposals for country-by-country information and transfer pricing master file documentation. This follows responses received to the Discussion Draft issued on 30 January. The OECD cautioned that the Committee on Fiscal Affairs has yet to review the template, which may still be subject to change, and that further work is needed, in particular on the important issue of the mechanism for filing and sharing information.

Revisions to Proposals

The country-by-country template will be a standalone document for the purposes of risk assessment, and not part of the transfer pricing master file. Data will be included on an aggregated country-by-country (not entity-by-entity) basis, together with a list of entities and permanent establishments in each country, with activity codes. The financial data will be reduced to include revenue, profit before tax, cash taxes paid and current year tax accrual, number of employees, tangible assets and capital and retained earnings. There will be flexibility for businesses regarding the source of financial data, provided a group adopts a consistent approach across all countries and from year to year.

There will be flexibility for businesses on whether the transfer pricing master file should be prepared on a group-wide basis or by line of business. The OECD will make clear that the master file is intended to provide a high level overview to put the business's activities in context, and that transactional information will be reserved for the local file. There will no longer be a requirement for details of the 25 highest paid employees.

Timetable and Next Steps

The OECD is keen for businesses to see these revised proposals before the public consultation meeting on 19 May 2014, which will be the last chance for comment before the final requirements are published in September 2014.

Deloitte Comments

Simplification of the data to be included and flexibility for businesses are welcomed, as is confirmation of the high-level nature of the master file. It is important that the focus is on providing useful, relevant and manageable global information for tax authorities that does not duplicate information better provided in tax returns and local transfer pricing documentation, and that this is achieved in a cost-effective and practical way for businesses. The revisions announced on 2 April are a big step towards these objectives. Confidentiality of tax and commercial information will remain a concern for many businesses unless a mechanism for sharing the information under a treaty or information exchange agreement framework is made available.

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