



Day 1: Session 1  
The hidden challenges  
of country-by-country  
reporting

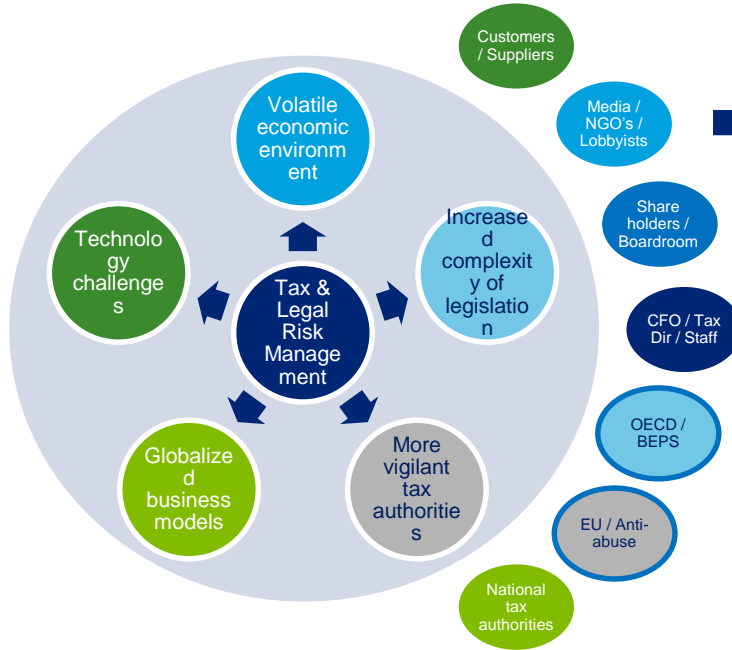
The Westin, Singapore  
25 February 2016

Ben Pickford - Deloitte



# Introduction

## New stakeholders in the tax landscape



## The perception of tax avoidance has become a reputational risk



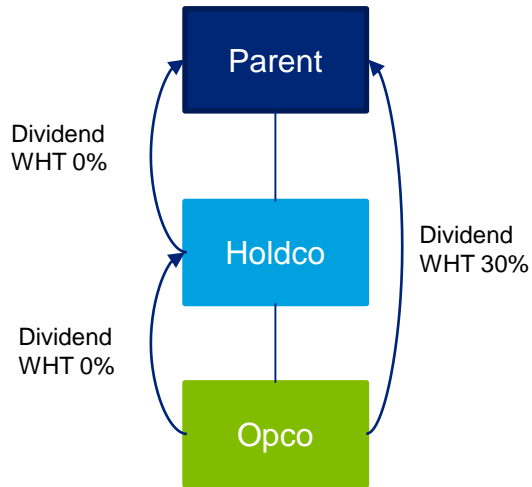
# BEPS: What's happened so far and what's the current status?



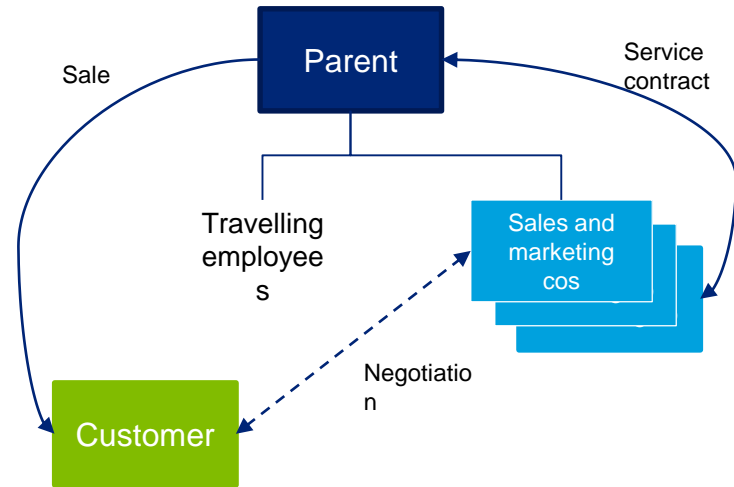
# What's the target?

## Examples

### 1. Treaty shopping



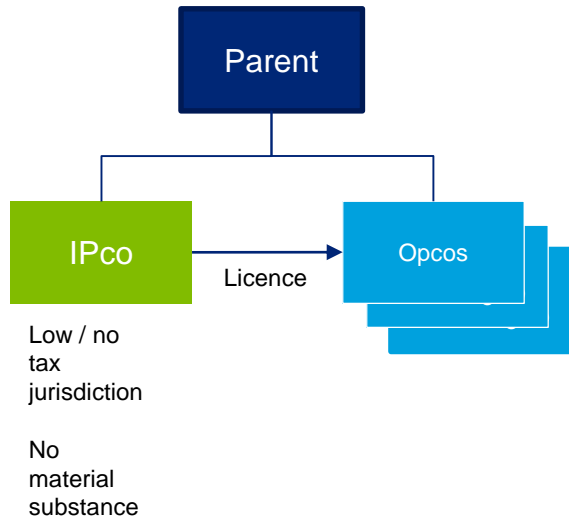
### 2. Certain sales activity



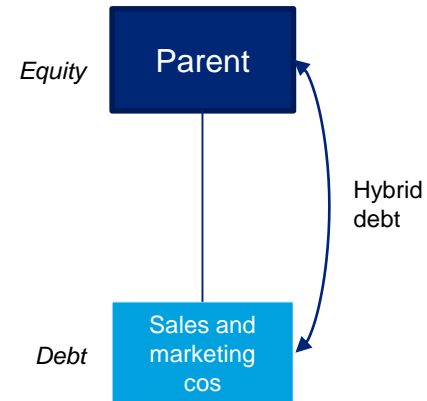
# What's the target?

## Examples (continued)

### 3. IP structures



### 4. Hybrid arrangements



# The BEPS group

Sixty-two countries have collaborated on BEPS:

Albania, Argentina, Australia, Austria, Azerbaijan, Bangladesh, Belgium, Brazil, Canada, Chile, Colombia, Costa Rica, People's Republic of China, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, **Indonesia**, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Korea, Latvia, Lithuania, Luxembourg, **Malaysia**, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Peru, **Philippines**, Poland, Portugal, Russian Federation, Saudi Arabia, Senegal, **Singapore**, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States and **Vietnam**.

Regional organisations:

ATAF, CREDAF, CIAT

IMF, World Bank, UN

# Final reports - hierarchy

## Minimum standards

- Action 5: Harmful tax practices
- Action 6: Prevent treaty abuse
- Action 13: CbC reporting only
- Action 14: Dispute resolution

## Strengthening existing international standards

- Action 7: Permanent Establishment (PE)
- Actions 8 - 10: Transfer Pricing
- Action 13: Non-CbC reporting elements

## Common approach

- Action 1: Digital economy
- Action 2: Hybrid mismatch arrangements
- Action 4: Interest deductions

## Best practices

- Action 3: Controlled foreign company (CFC) rules
- Action 12: Aggressive tax planning arrangements

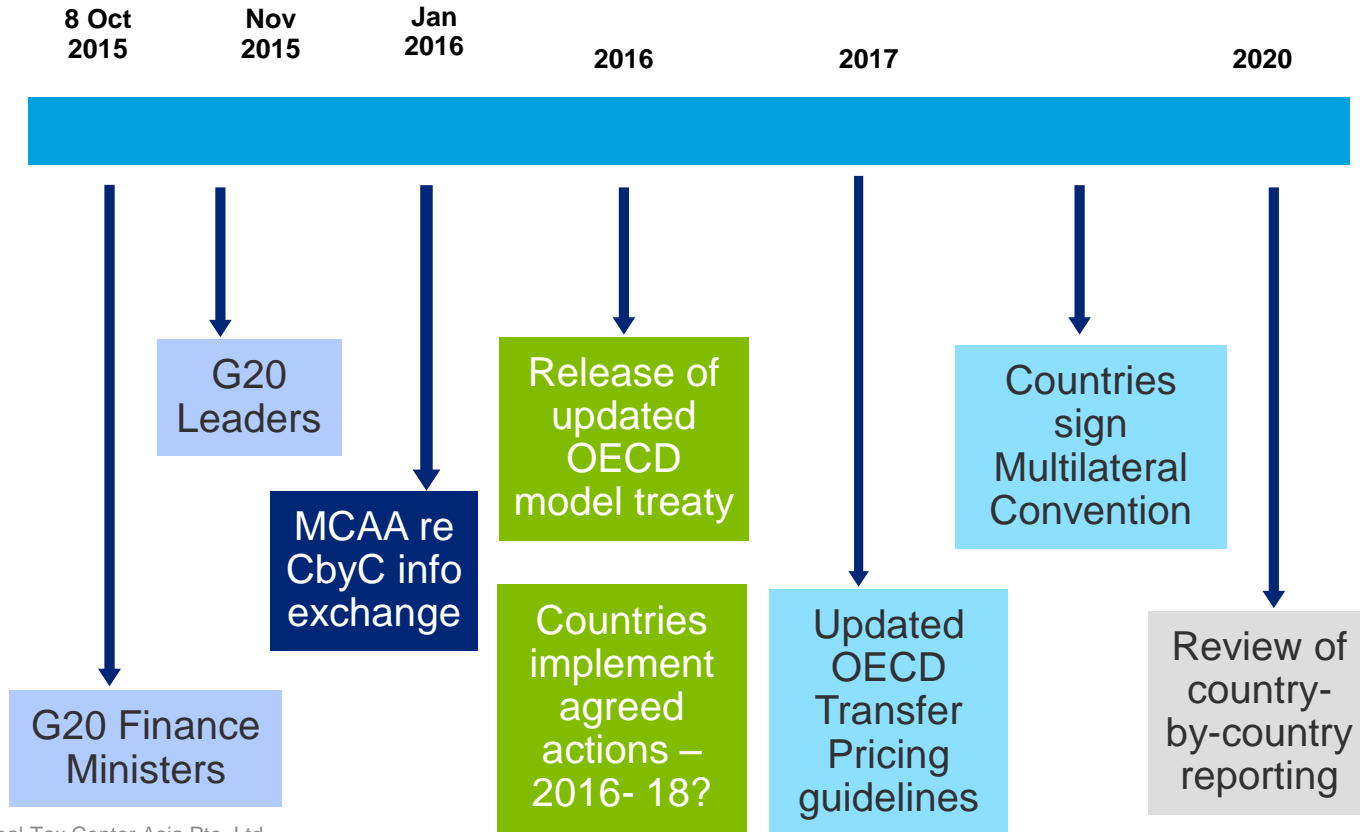
**Action 15: Multilateral instrument**

# BEPS Actions - implementation

Domestic law change	Transfer Pricing	Treaties	Monitoring
<b>Recommendations for national law, regulations, or administrative practice</b>	<b>Changes to the OECD's Transfer Pricing Guidelines</b>	<b>Signing of multilateral instrument, and changes to the OECD Model Treaty &amp; Commentary</b>	<b>Monitoring / reporting by OECD / Global Forum</b>
<ul style="list-style-type: none"><li>• <b>Action 1:</b> Digital Economy</li><li>• <b>Action 2:</b> Hybrid mis-matches</li><li>• <b>Action 3:</b> CFCs</li><li>• <b>Action 4:</b> Limiting interest deductions</li><li>• <b>Action 5:</b> Harmful tax practices</li><li>• <b>Action 12:</b> Mandatory disclosure</li><li>• <b>Action 13:</b> TP documentation (incl CbC)</li></ul>	<ul style="list-style-type: none"><li>• <b>Actions 8 – 10:</b> Assure that transfer pricing outcomes are in line with value creation<ul style="list-style-type: none"><li>– What type of “adoption” needs to happen in each country?</li><li>– Grandfathering?</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Action 2:</b> Hybrid mis-matches</li><li>• <b>Action 6:</b> Treaty abuse</li><li>• <b>Action 7:</b> Permanent establishments</li><li>• <b>Action 14:</b> Dispute resolution</li><li>• <b>Action 15:</b> Multilateral instrument</li></ul>	<ul style="list-style-type: none"><li>• <b>Action 5:</b> Harmful tax practices</li><li>• <b>Action 11:</b> BEPS information</li><li>• <b>Action 13:</b> TP documentation (incl CbC)</li><li>• <b>Action 14:</b> Dispute resolution</li></ul>



# Timetable



# Challenges for multinationals

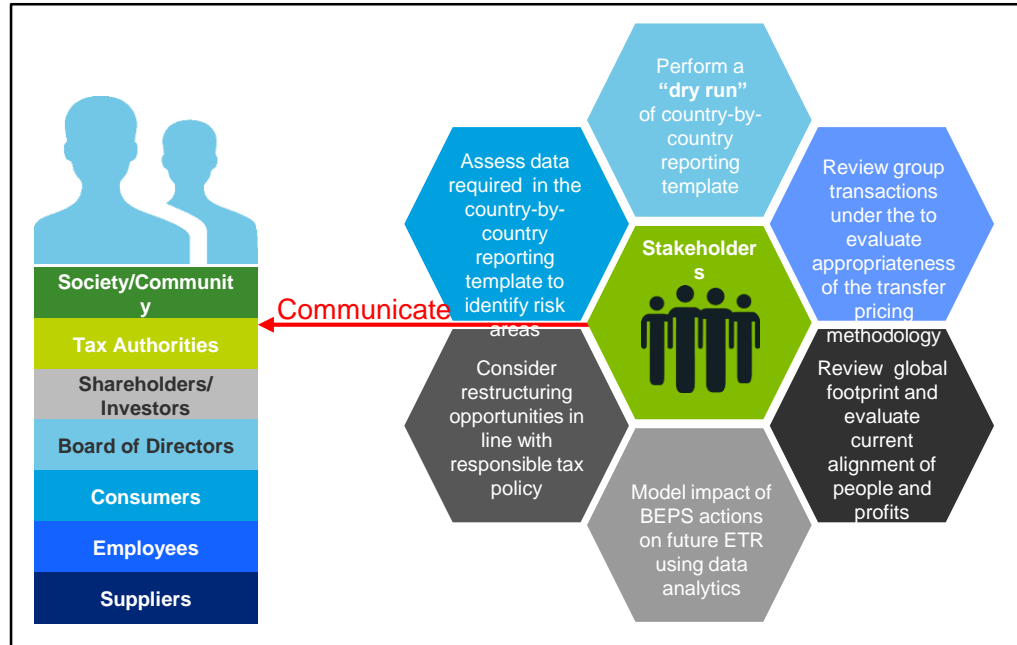
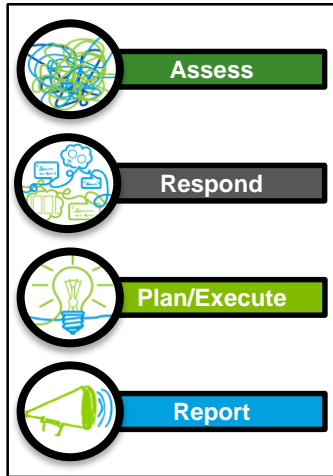
## BEPS considerations: Monitoring

### Group level reaction

- Setting strategic direction
- Determining need for global changes, e.g. financing, business model
- Managing country by country reporting requirements
- Determining stakeholder communication requirements



# Responding to BEPS



# Focus on Country by Country Reporting



# The CbyC revolution

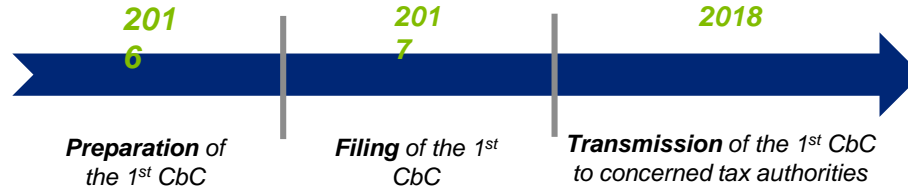


***BEFORE***



***AFTER***

# CbyC timeline



## **Next steps**

- Adoption of new documentation requirements in domestic legislation;
- Creation of a centralized exchange platform for tax authorities;
- Formal signing ceremony of MCAA (Multilateral Competent Authority Agreement) on 27 January 2016 – 31 countries signed

# CbyC reporting template

1

Overview of allocation of income, tax and business activities by tax jurisdiction

Name of the MNE group: Fiscal year concerned:										
Tax Jurisdiction	Revenues			Profit (Loss) Before Income Tax	Income Tax Paid (on cash basis)	Income Tax Accrued - Current Year	Stated capital	Accumulated earnings	Number of Employees	Intangible Assets other than Cash and Cash Equivalents
	Unrelated Party	Related Party	Total							

3

Additional information to facilitate understanding (\*)

Name of the MNE group: Fiscal year concerned:
<i>Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in the country-by-country report.</i>
(*) Source of data, FX rates applied,...

2

List of constituent legal entities and business activities by tax jurisdiction

Name of the MNE group: Fiscal year concerned:															
Tax Jurisdiction	Constituent Entity resident in the Tax Jurisdiction	Tax jurisdiction of incorporation if different from the jurisdiction of residence	Main business activity(ies)												
			Research and Development	Manufacturing including software	Purchasing or sales	Marketing or sales	Production	Administration, management or support	Provision of services to other entities	Financial or Finance	Real Estate	Insurance	holding shares or other investments	Other	
1															
2															
3															
4															
5															



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