

COUNTRY-BY-COUNTRY REPORTING

Following the OECD's review into Base Erosion and Profit Shifting (BEPS), UK legislation has been amended to adopt country-country (CbC) reporting obligations.

WHAT IS COUNTRY-BY-COUNTRY REPORTING?

At a very high level, in an aim to increase the tax transparency of multinational enterprises (MNEs), MNEs are now required to annually report key financial information for each jurisdiction in which they do business. The information that must be reported by jurisdiction includes:

Revenue

Profit

before Income Tax

Income Tax

paid and accrued

Total employment

Capital

Retained earnings

Tangible assets

WHICH ENTITIES MUST FILE CbC REPORTS TO HMRC?

All UK resident ultimate parent entities (both companies and partnerships) with a consolidated group turnover of €750 million or more are required to file an annual CbC report.

However, not all tax authorities have brought in CbC reporting requirements and even if they have, they may not have an information exchange agreement with HMRC, or they may not be operative effectively. In such cases, the head of the UK sub group must prepare a report on the UK sub-group's activities, which must be filed with HMRC.

CONSIDERATIONS FOR UK MEMBERS OF MULTINATIONAL GROUPS

It is likely that only a minority of UK companies and partnerships will be required to make a CbC report to HMRC. However, UK members of MNE's should consider:

- Does the group fall into the CbC reporting requirement and, if so, is the UK sub group required to file a report?
- Are systems in place to collate information on a timely basis if the UK sub group is required to file a local report?
- What information is needed, and in what format, to supply to the ultimate parent if the UK group is not required to file a report itself?
- If the UK group is not required to file a report itself, has it informed HMRC which entity in the group will be providing this information? There is a list of information that must be provided to HMRC via email. The deadline for most entities for providing this information for the first time is the later of the end of the period to which the report relates or 1 September 2017.

If you would like to discuss this in more detail, please do not hesitate to contact Louise Cottam or Alastair Wilson.

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WHEN WILL THE FIRST REPORT BE DUE?

The UK rules apply to accounting periods commencing on/after 1 January 2016, with the CbC report due 12 months following the end of the accounting period. For example, for entities with a December period end the first period for which the information must be reported is 31 December 2016, with a filing deadline of 31 December 2017. Late filing penalties will be issued by HMRC.