

Country-by-Country Reporting:  
What is your strategy?

October 2015

As businesses reach out across the globe seeking new opportunities and new markets, their tax policies as well as the amount of tax they pay are increasingly coming under close governmental and public scrutiny.

The OECD's coordinated Action Plan for the **Base Erosion and Profit Shifting (BEPS)** project is a response to the growing concerns among OECD and non-OECD countries about the risks to tax revenue, tax sovereignty and tax fairness that BEPS behaviors pose, in particular when these results lead to unanticipated double non-taxation.

The call for **tax transparency** is being echoed around the globe. The stakeholders involved in the tax transparency discussion are many and varied and include not only taxpayers, tax authorities, the European Commission, the G8 and G20 countries, and the OECD, but also the general public. One of the most important parts of the OECD's Action Plan is the *Guidance on Transfer Pricing Documentation and Country-by-Country Reporting (BEPS Action 13)*. This action plan obliges multinational enterprises to annually report information regarding their substance, activities and financial position in each of their tax jurisdictions (Country-by-Country Reporting). Various countries have announced legislation based on BEPS Action 13. Also the Netherlands included draft legislation in this respect in the Budget for 2016.

**Country-by-Country Reporting** will provide tax authorities with the necessary information to enable them to conduct a high level risk assessment to determine whether they should conduct a tax audit. Since the report is automatically shared among tax authorities, any lack of economic substance or the slightest impression of potential mismatches or non-arm's length behavior could be enough to trigger a tax audit. These tax audits can be time-consuming and costly and might lead to transfer pricing adjustments.

Regardless of the details of the actual implementation by individual governments, it is inevitable that a large number of countries, including the Netherlands, will implement the Country-by-Country reporting requirements. Consequently, multinational enterprises will be required to file the Country-by-Country reports starting as of the 2016 accounting period. As stated above, these new requirements may trigger potential tax audits. It is therefore important for MNEs to consider how they are going to comply with these new requirements and, more importantly, how this reporting will impact stakeholders. In the Netherlands, non compliance with the obligation to file a Country-by-Country report may result in a fine up to EUR 20,250 or even criminal prosecution.

**What we can do for you**

Meijburg & Co has developed the **Diagnostic Review** to assist MNEs in assessing their BEPS readiness in respect of

compliance obligations, and to respond to possible risks and opportunities arising from the transparency created by BEPS 13. Knowing what being transparent entails will help MNEs prepare for future requirements arising from the call for tax transparency.

Group name: Company Y														
Transfer Pricing Quick Scan														
Phase 5: Please identify the profits made by the group in each country														
Profits	R&D	IP Management (Holding)	Procurement	Manufacturing	Marketing & Sales	Management & Support Services	Services to unrelated parties	Group Finance	Registered Financial Services	Insurance	Holding shares or other equity instruments	Dominant	Other	Total
Japan				11,000,000	4,500,000									15,500,000
United States	2,000,000			7,000,000	8,000,000						4,000,000			21,000,000
The Netherlands					3,800,000									3,800,000
Thailand				50,000,000										50,000,000
China					5,500,000									5,500,000
Italy					-200,000									-200,000
Spain					450,000									450,000
United Kingdom					900,000									900,000
France					300,000									300,000
Belgium					1,800,000									1,800,000
Singapore					3,000,000									3,000,000

Tax is our business

The Diagnostic Review consists of three different stages:

1. In the first stage of this analysis we present MNEs with a blank data sheet. In this sheet you can include similar data to that required by Country-by-Country reporting or even more detailed information to improve the analysis.
2. In the second stage we will analyze this information. By combining the data on financial position, people, functions, assets and capital we can provide MNEs with a clear overview of the output of Country-by-Country reporting and determine whether the output gives rise to possible risks or opportunities.

Meijburg & Co will provide MNE's with a detailed report containing a global overview of the results of the analysis.



3. By identifying risks and opportunities we can assist MNE's in determining how to respond to these risks or opportunities. Our team has significant experience in developing and implementing tax and transfer pricing strategies to respond to the BEPS action plans. Our team has also developed approaches and tools to help multinationals comply with the Country-by-Country reporting and Master File and Local File requirements.

### Our People and Experience

Meijburg & Co's Global Transfer Pricing Group comprises experienced, international transfer pricing specialists with legal, fiscal and economic backgrounds, as well as experience working in various industries and with tax authorities. By using our KPMG Global Transfer Pricing Services network we can provide MNEs with an international team of transfer pricing and tax accounting professionals with experience in Country-by-Country reporting and documentation in accordance with the Master File/ Local File concept. Our network of professionals enables us to apply an integrated approach to your business.

### Contact

We would be pleased to meet with you to discuss how your company can optimally prepare for Country-by-Country reporting and the accompanying Master en Local filing requirements. Please get in touch with your contact at Meijburg & Co or with one of our transfer pricing specialists.

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