An abbreviated EU perspective on country-by-country reporting
This publication offers an abbreviated overview of country-by-country reporting (CBCR) from an European Union (EU) perspective. For a more fulsome version of this document, please visit the EU Tax Centre website at kpmg.com/eutaxcentre.

Tax transparency is here to stay. A combination of public pressure and political willpower at both the G20/OECD and EU levels has resulted in a paradigm shift in the global tax landscape. Country-by-country reporting (CBCR) plays a key role in these developments. We have already seen how voluntary public CBCR in various sectors, such as the extractive and financial sectors, has shifted towards mandatory disclosure. Meanwhile, as part of its Base Erosion and Profit Shifting (BEPS) anti-tax avoidance program, the OECD has initiated CBCR to tax authorities (BEPS Action 13) and the EU is introducing parallel rules as part of its own anti-tax avoidance program. The EU is also looking at possibly introducing mandatory public disclosures of CBCR in all business sectors.
Companies affected by the existing CBCR rules have often called on KPMG to help build and refine their CBCR process — collecting, aggregating, analyzing and reporting their global data. With the advent of the new wave of CBCR regulations, this need will only increase. However, forward-looking companies are not just focusing on process, but are also beginning to review and adjust their tax business models and policies. This way, they can ensure that they comply with the new rules, and be proactive, by, for example, avoiding unnecessary duplication or leveraging corporate communication opportunities.

So what are we seeing develop as best practices in this area? A number of common themes are emerging:

1. Know what is going on. Staying on top of developments means staying in control. Be proactive rather than reactive.
2. Review and, if necessary, adjust tax strategies and policies. Consider the public dimension. Look into enhanced relationships with tax authorities.
3. Identify corporate structures or practices that are not consistent with the new tax world and design and implement appropriate responses.
4. Anticipate the unexpected and manage associated risk, such as double taxation and disputes with tax authorities.

With the increasing multiplicity of CBCR regulations, it is important to have a clear picture of what is currently on the table. Whereas the OECD and EU CBCR initiatives follow largely the same course, the potential emergence of a new layer of public CBCR in the EU makes it even more important to differentiate between the two. With this in mind, we have prepared a step-by-step comparative guide to the two EU initiatives, one on CBCR to tax authorities and the other, based on the current draft text, CBCR to the public. This is followed by a tabular comparative overview, which also puts into context the OECD (BEPS Action 13) CBCR initiative.

If you haven’t done so already, do contact one of our core experts listed at the end of this paper to find out how a KPMG team can help you.

To stay updated on CBCR in the EU, visit our website at kpmg.com/eutaxcentre.
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EU CBCR for all sectors — A comparative guide

EU country-by-country reporting to tax authorities (‘non-public CBCR’)

Status
The non-public rules were approved by EU Member States on 8 March 2016 and formally adopted on 25 May 2016. Member States have until 4 June 2017 to implement these rules into their domestic legislation.

Interaction with OECD’s CBCR initiative
The EU rules closely follow the OECD’s final report on CBCR to tax authorities (BEPS Action 13). Differences largely reflect the different context of the EU as opposed to individual tax jurisdictions. Member States are not expected to enact separate sets of rules for the EU and OECD rules on CBCR to tax authorities. Some Member States already have legislation in place in order to implement BEPS Action 13.

First reporting year
The new rules will apply to periods beginning on or after 1 January 2016, but Member States can defer this date for 1 year in the case of non EU–parented groups.

How will businesses be affected
The EU rules will require affected multinationals to file with EU tax authorities a report on tax and related information concerning the whole group, i.e., including data concerning non EU–related operations.

What triggers a reporting obligation
A reporting obligation under the EU rules will arise when there is a multinational group with consolidated group revenue of at least 750 million euros (EUR) and either the ultimate parent or another member of the group is resident in an EU Member State.

Who has to report
The ultimate parent has to report if resident in an EU Member State. If it is not, all EU subsidiaries (but not branches) must report, unless, broadly speaking, the non-EU parent has to file a country-by-country report under its local rules and there is an effective information-exchange agreement in place between its tax authorities and those of the EU subsidiaries.

As an alternative to all EU subsidiaries filing individual reports in each of their respective jurisdictions, the group can appoint a single EU subsidiary to file with its local tax authorities. A single EU or non-EU subsidiary can also be appointed to file instead of all the EU subsidiaries, as a ‘surrogate parent’ (in the case of a non-EU surrogate, there must be an effective information-exchange agreement in place between the surrogate’s jurisdiction and those of the EU subsidiaries).
Where the report is filed and what happens to it

Reports are filed with the tax authorities of the Member State where the reporting entity is resident (or local tax authorities in the case of a non-EU parent or surrogate parent). The local tax authorities then exchange the report with the Member States in which the group has resident subsidiaries or taxable permanent establishments. The reports may be used, in particular, for assessing high-level transfer pricing risks but not as such to serve as a basis for transfer pricing adjustments. EU tax authorities are required to apply their domestic confidentiality rules.

What should be reported

Data should be provided for the whole group on an aggregated basis for each jurisdiction in which it operates.

The data should consist of:

- revenue (related and unrelated party to be shown separately)
- profit/loss before income tax
- income tax paid
- income tax accrued
- stated capital
- accumulated earnings
- number of employees
- tangible assets other than cash or cash equivalents.

The report should also identify each member of the group (including permanent establishments) and indicate its tax residence (and, if different, its country of organization) as well as its main business activity.

When reports should be filed

The report should be drawn up annually for the fiscal year of the group and filed within 12 months of the end of the year.

Format, language, etc. of report

The report should be in the format of the model template annexed to the Directive (this is identical to that contained in the OECD’s CBCR report). The language is not specified but will likely be required to be at least in an official or working language of a Member State. The report should specify the currency used in the report.

Notifications, penalties, audit, etc.

The Directive prescribes various notification requirements, in particular as regards which entity is reporting. While the Directive requires that Member States must provide for penalties, it is expected that most Member States will extend their existing transfer pricing penalties as appropriate. Lastly, the Directive does not specify an audit requirement.
EU public CBCR

**Status**

Draft EU legislation on CBCR to the public was issued on 12 April 2016. The proposal amends an existing Directive (the Accounting Directive) and needs the approval not only of Member States (by a qualified majority) but also of the European Parliament. The European Parliament is likely to support the proposal but may want it to go further. In a broad terms, a ‘qualified majority’ means 16 Member States representing at least 65 percent of the EU population. Assuming the Amended Directive has been formally adopted and comes into force, Member States would have 12 months to implement the rules in their domestic legislation.

**Relationship with other CBCR initiatives**

The proposal bears similarities to the non-public CBCR but differs in some important respects. It also builds on earlier EU public CBCR initiatives, i.e., those applying to the extractive sector and to the financial sector (CRD IV).

**First reporting year**

The draft directive does not specify a particular year but does provide that the rules would apply, at the latest, to financial years beginning on or after 2 years from the date the amended directive comes into force. Member States would, therefore, in principle, be free to apply the rules to earlier periods.

**How will businesses be affected**

The rules will require affected multinationals to file a report on tax and related information concerning the whole group, i.e., including data concerning non EU–related operations, in an EU commercial register, and also to publish the report on their corporate website.

**What triggers a reporting obligation**

A reporting obligation will arise when there is a multinational group or stand-alone undertaking with a (consolidated) net turnover of at least EUR750 million, and either the ultimate parent or a member of the group is an undertaking (typically a company) governed by the law of a Member State or has a branch in a Member State.

**Who has to report**

The ultimate parent must file the report if it is governed by the laws of an EU Member State. If it is not, all EU subsidiaries — or, if none, EU branches must file a report. If the ultimate parent files, it must also publish the report on its own website. Filing subsidiaries or branches — must also publish on their own website or that of a group member.

As an alternative to having all EU subsidiaries or branches file reports in each of their respective jurisdictions, the group can appoint a single EU subsidiary or branch to file in its local register, provided that the ultimate parent also publishes the report on its website.

There are reporting carve-outs for ‘small’ undertakings as well as for EU–parented financial sector undertakings that report on all their activities under the existing EU public CBCR rules (‘CRD IV’).

**Where the report is filed and what happens to it**

Reports must be filed in publicly accessible commercial registers in individual Member States as well as on applicable group websites.

**What should be reported**

The report should cover specified data for the whole group. The data should be provided on the following basis:

- separately for each Member State
- separately for each jurisdiction included on an EU ‘blacklist’
- aggregated for the rest of the world.

The EU blacklist (which is currently under development and is expected to be finalized by the end of 2017) will cover jurisdictions that do not comply with internationally accepted transparency and related criteria.

The data should consist of:

- net turnover, including turnover with related parties
- profit/loss before income tax
- income tax paid
- income tax accrued
- accumulated earnings
- number of employees.

There is no explicit requirement to identify each member of the group, but the activities of the undertakings within each reporting jurisdiction (or jurisdictions) should be briefly described.

Discrepancies between accrued and paid taxes should be accompanied by an explanatory narrative.

**When reports should be filed**

The report should be drawn up annually for the financial year of the group and filed in the same way as other corporate documents.
No general time limits are prescribed, but non-EU parents must publish the online version within 12 months of the balance sheet date if a single EU subsidiary or branch files. Online versions of the report should remain accessible for at least 5 years.

**Format, language, etc. of report**

No specific formats are prescribed, but reports should be drawn up in at least one official EU language. The report should be drawn up in the same currency as the consolidated financial statements.

**Notifications, penalties, audit, etc.**

No specific notifications are prescribed. Member States must provide for penalties. Auditors will be required to check whether the report has been 'provided and made accessible' in accordance with its provisions.
# EU CBCR initiatives for all sectors

## A comparative overview

<table>
<thead>
<tr>
<th>Type of disclosure</th>
<th>OECD BEPS Action 13 (non-public CBCR)</th>
<th>EU non-public CBCR</th>
<th>EU public CBCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal basis</td>
<td>OECD BEPS Action 13 recommendations</td>
<td>Adopted by Member States 25 May 2016</td>
<td>EU Directive</td>
</tr>
<tr>
<td>Legal status</td>
<td>In principle, binding on MCAA signatories, but only to the extent that there is domestic law to implement CBCR</td>
<td>Pending: proposed Directive issued 12 April 2016</td>
<td>EU Directive</td>
</tr>
<tr>
<td>First reporting period</td>
<td>Fiscal years beginning on or after 1 January 2016 (OECD recommendation), or after such date as notified by jurisdiction on signing CAA</td>
<td>Fiscal years beginning on or after 1 January 2016 but option for Member States to defer secondary reporting to 1 January 2017</td>
<td>At the latest, financial years beginning on or after 2 years from date Directive enters into force</td>
</tr>
<tr>
<td>Type of reporting</td>
<td>Filing with tax authorities according to model template</td>
<td>Publication through filing with local registry and on corporate website</td>
<td>Filing with tax authorities according to model template</td>
</tr>
<tr>
<td>Report timing</td>
<td>Annually, within 12 months of fiscal year end</td>
<td>Annually, within 12 months of fiscal year end</td>
<td>Annually, deadline not stated</td>
</tr>
<tr>
<td>Audit requirement</td>
<td>No</td>
<td>No</td>
<td>Yes, in respect of presentation and accessibility</td>
</tr>
<tr>
<td>Minimum group threshold</td>
<td>EUR750 million total consolidated group revenue</td>
<td>EUR750 million total consolidated group revenue</td>
<td>EUR750 million consolidated net turnover</td>
</tr>
<tr>
<td>Reporting entities</td>
<td>Ultimate parent or secondary reporting</td>
<td>Ultimate EU parent or secondary reporting</td>
<td>Ultimate EU parent or secondary reporting</td>
</tr>
<tr>
<td>Secondary reporting</td>
<td>Local entities if no effective exchange with ultimate parent jurisdiction</td>
<td>Local EU entities if no effective exchange with ultimate parent jurisdiction</td>
<td>Local EU entities or branches if no EU ultimate parent</td>
</tr>
<tr>
<td>Limited secondary reporting</td>
<td>One local entity can file for all entities in that jurisdiction</td>
<td>One EU entity can file for all EU entities</td>
<td>Website publication can be limited to one group member instead of all EU subsidiaries/branches</td>
</tr>
<tr>
<td>Surrogate parent reporting</td>
<td>One entity can file instead of secondary reporting, provided effective exchange with group tax jurisdictions</td>
<td>One EU or non-EU entity can file instead of secondary reporting, provided (if non-EU entity) effective exchange with group EU Member States</td>
<td>One EU entity/branch can file instead of secondary reporting, provided ultimate parent publishes on website</td>
</tr>
<tr>
<td>Reporting entity threshold</td>
<td>No</td>
<td>No</td>
<td>No reporting by 'small' EU entities/branches</td>
</tr>
<tr>
<td>Reporting exclusions</td>
<td>No</td>
<td>No</td>
<td>EU–parented groups subject to prudential consolidation (if all activities covered)</td>
</tr>
<tr>
<td>Reportable entities</td>
<td>All EU and non-EU consolidated entities</td>
<td>All EU and non-EU consolidated entities</td>
<td>All EU and non-EU consolidated entities</td>
</tr>
<tr>
<td>Aggregation of data</td>
<td>By tax jurisdiction of operation</td>
<td>By tax jurisdiction of operation</td>
<td>(1) by EU Member State, (2) by blacklisted non-EU jurisdiction and (3) by all other non-EU jurisdictions</td>
</tr>
<tr>
<td>Penalties</td>
<td>Local rules apply</td>
<td>Local rules apply</td>
<td>Local rules apply</td>
</tr>
</tbody>
</table>

* Information may be simplified for comparison purposes

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* Overall similar provision

* Potentially significant difference

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EU CBCR initiatives for all sectors*

### Specific data

<table>
<thead>
<tr>
<th>Identity, tax residence, governing law and business activity of entity</th>
<th>OECD BEPS Action 13 (non-public CBCR)</th>
<th>EU non-public CBCR</th>
<th>EU public CBCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔</td>
<td>✔</td>
<td>Business activities in each Member State</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unrelated party revenues</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Related party revenues</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Unrelated and related party revenues</th>
<th>✔</th>
<th>✔</th>
<th>Net turnover including turnover with related parties</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Profit/loss before tax</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Paid income tax</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Accrued income tax</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>—</th>
<th>—</th>
<th>—</th>
<th>Explanation for paid/accrued tax discrepancies</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Stated capital</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Accumulated earnings</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Tangible assets (excl. cash)</th>
<th>✔</th>
<th>✔</th>
<th>—</th>
</tr>
</thead>
</table>

* Information may be simplified for comparison purposes

- Potentially significant difference
- Overall similar provision

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CBCR initiatives: general timelines

CRD IV
- 17 Jul. 2013: CRD IV Directive enters into force

EU Accounting Directive

DAC EU non-public CBCR
- 8 Mar. 2016: Political agreement

OECD BEPS Action 13
- 30 Jan. 2014: Discussion draft on revised Guidance on TP doc. and CBCR
- 27 Jan. 2016: Agreement on CBCR AEoi signed by 31 countries
- 29 Jun. 2016: OECD guidance issued on voluntary filings for 2016 and other matters

EU public CBCR
- 17 Jun. 2015: Public consultation on corporate tax transparency
- 12 Apr. 2016: EC Proposal on public CBCR

Hypothetical EU adoption*
- 2017: Deadline for EU MS implementation
- 2016: 12 months

Earliest likely start of (calendar year) reporting

* Entry into force normally occurs shortly after adoption
KPMG CBCR contacts and resources

For further information on how KPMG can help you prepare for corporate transparency, please contact one of KPMG’s CBCR core group members, or your local KPMG advisor.

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Online resources

KPMG resources

KPMG BEPS Action 13 — country-by-country implementation: kpmg.com/bepsaction13
KPMG EUTax Centre: kpmg.com/eutaxcentre
KPMG Global BEPS site: kpmg.com/beps
KPMG Global TaxNewsFlash: kpmg.com/taxnewsflash
KPMG Institutes — BEPS — Tax Transparency: kpmg.com/institutestaxtransparency

Other resources

European Commission dedicated CBCR website: http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm#cbcr-tax
Proposal for a directive amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches: https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-198-EN-F1-1.PDF
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