



Current Transfer Pricing Disclosure

Considerable media attention has been given to whether international tax rules can keep pace with modern business practices, the globalisation of corporations and the digital economy. This comes from a concern that profits are not being taxed in the jurisdictions in which they are commercially made. Transfer pricing policy has therefore taken on added significance.

In 2013 the G20 and the Organisation for Economic Co-operation and Development (“OECD”) began the Base Erosion and Profit Shifting (“BEPS”) project with a view to putting a stop to profit shifting. Subsequently, a wealth of information has been published following the October 2015 final reports on the 15 BEPS actions. This covers areas for suggested change in international tax rules and tax treaties which will have significant implications for Multinational Enterprises (“MNEs”).

The proposed way forward is improved transparency in relation to the global activities of MNEs and with this comes new transfer pricing disclosure.

The requirements: Country-by-Country (“CbC”) reporting from 1 January 2016

Groups are used to preparing global or individual country transfer pricing reports; BEPS action 13 advocates a new three-tiered approach. The first tier is a master file; including high level overview information showing a picture of the global business operations and transfer pricing policies (filing requirements are to be determined on a country basis). The second tier is a local file; to be filed with the local tax authority, referring specifically to material arm’s length transfer pricing transactions of the local taxpayer. Individual countries will set their own materiality thresholds for these reports.

The third tier, and for many MNEs the biggest reporting change, is CbC reporting. This is a fixed template to be implemented in the same format across countries and there are to be no special industry exemptions. The UK adopted CbC in the 2015 Finance Act, and MNEs will be required to comply with the requirements except where an exemption applies for groups with consolidated revenue of less than €750 million in the accounting period immediately preceding the reporting year.

The limits are reduced proportionately for a period of less than 12 months. Countries including Australia, Japan, Mexico, France, Italy, Spain and the US are also implementing CbC reporting and have set implementation dates. Further countries are expected to follow.

The CbC report, to be filed by the parent, will include aggregate information relating to the global allocation of the group’s revenue (split between related and unrelated parties), profit/loss before tax, corporate income tax paid and accrued, capital, number of employees, tangible assets etc. A list of all group entities, stating the place of tax residence (or incorporation if different from tax residence) and nature of the main business activity is also required.

In the UK, CbC reporting will apply to MNEs (unless the above exemption applies) with accounting periods beginning on or after 1 January 2016. The CbC report will be filed no later than 12 months from the end of the reporting year of the group. Therefore for a group with a reporting year of 1 January to 31 December 2016, the documents will be delivered electronically by 31 December 2017 to tax authorities. Alternatively, for a group with an accounting period being the 12 months to 31 March 2017, the reporting deadline will be 31 March 2018.

How can Blick Rothenberg help

The CbC, master and local files will require significant levels of information and the collation process will need a planned approach. Some details may be easily obtainable from group consolidated accounting papers or internal data sets, and other figures harder to attain. We can work with you now to address this well in advance of filing deadlines, determining the most efficient approach and best use of group resources.



The purpose of the CbC documents is to help tax authorities to make determinations about transfer pricing risks and provide information to target transfer pricing enquiries. Tax authorities will be looking at CbC reports for potential areas to query. For example, entities in low-tax jurisdictions with significant income allocations or intangibles but without resources to generate the income or maintain the intangibles.

For the first time, groups may be providing substantial information to a tax authority outside of a formal tax audit. This is likely to create exposure if only to the increased risk of audits. We can consider how tax authorities might interpret your existing transfer pricing policies and required CbC information. We can highlight any inconsistencies to be addressed and explanations in advance of questions from tax authorities.

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