

CbC Reporting sub- group - CbC questionnaire update



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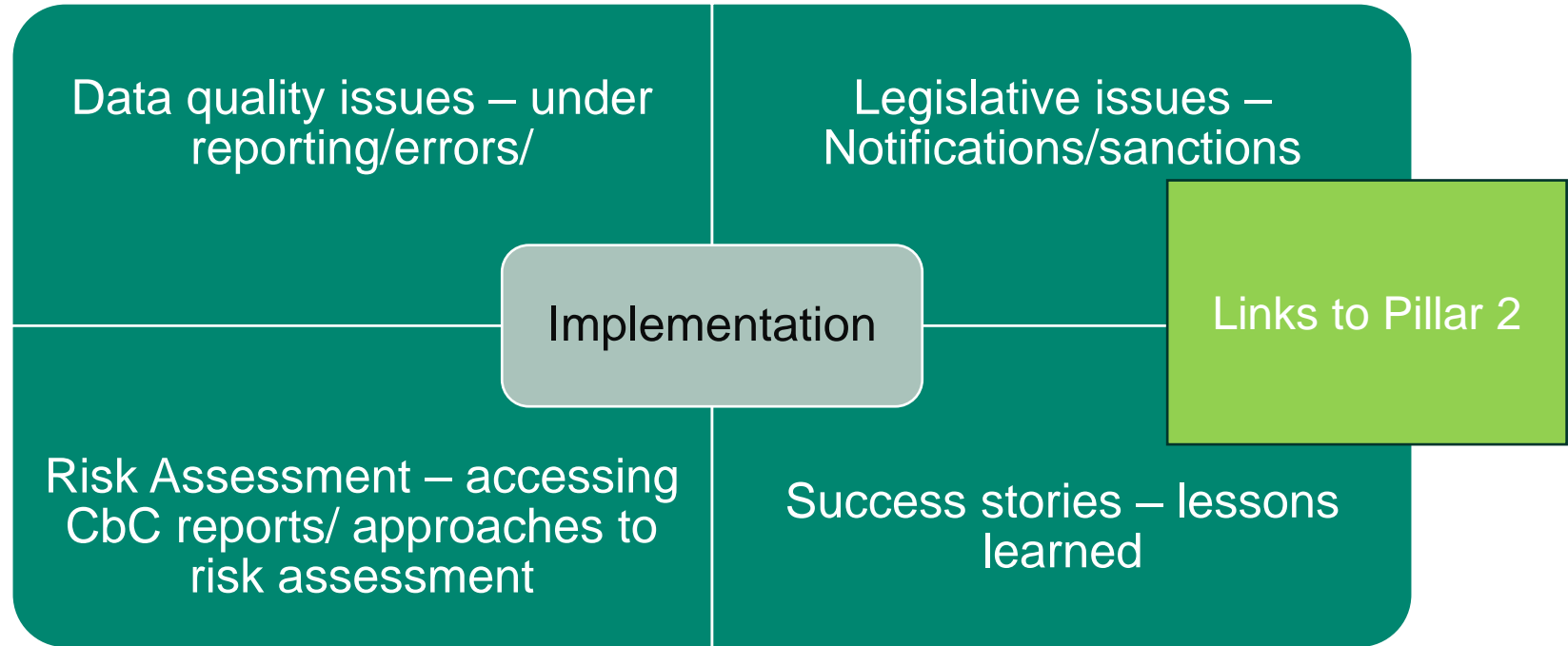
Overview of the CbC sub-group work

- IOTA CbC sub-group is group of CbC experts representing a wide spread of IOTA members
- The previous survey in 2021 let to the publishing of the IOTA CbC report
- Sub group members:
 - Rago Balint - Hungary
 - Juho Suomi - Finland
 - Ola Holdal - Norway
 - Geert Stuer - Belgium
 - Georgia Thoikou - Greece
 - Werner Handler-Brosch - Austria
 - Simon Kimber - UK

Work of the CbC sub-group

- The group had a mandate to design a new questionnaire that would provide insight into how jurisdictions are using CbC reports
- Aim of the questionnaire was to capture:
 - Current thinking and practice
 - Changes that may have happened since implementation
 - A chance to capture the views and experiences of IOTA members who had recently implemented the standard
 - Identify best practice

Questionnaire design



Analysis of responses

- 23 jurisdictions responded to the survey
- Not all questions were relevant to all jurisdictions
- The sub-group wanted to highlight examples provided by IOTA members to explain approaches and experience
- The task of the sub-group is to turn the responses into a narrative report

Implementation

Majority of IOTA members have been receiving CbC reports for over 5 years.

More recent implementers include, Azerbaijan (2021), Albania 2023 and Ukraine 2024.

While some jurisdictions have been receiving CbC reports for a long time, they have highlighted that use for risk assessment is more recent

Under reporting

- 20/23 respondents have a process in place for checking for missing reports domestically
- 16/23 respondents have an approach for checking inbound CbC reports
- 12 countries said they had identified missing reports

Procedures for checking for missing reports included:

- Use of external databases such as ORBIS
- Notifications
- Audits

“When it comes to CbC reports exchanged from abroad it is more difficult. Here we have analysed large deviations in terms of the number of reports received from one year to another from different countries. In the event of major deviations, we have gone more into details and checked this at group/company level.”

Data Quality

- All respondents had checks in place to maintain data quality, with the majority using a combination of automatic and manual checks
- Some respondents had sought to use additional information to validate the CbC reports
- TINS remain a big issue!
- Refining business rules has been very helpful

We are working to implement a warning/validation system with rules to address the reporting of improbable values for TIN. Whenever the TIN reported by the UPE are missing or incorrect, and are not identifiable through any available alternative source of information, reporting entities are asked to correct the information filed.

Legislative issues

Notifications

- 22/23 of respondents have a notification requirement – one IOTA member had recently removed this requirement
- The primary use of notifications was to establish the reportable population

Sanctions

- All respondents have CbC sanctions in place
- 6/23 had issued a sanction

In the last 3 years, 7 fines were issued for failure to file, 139 fines were issued for failure to notify.

Risk assessment – accessing CbC reports

- Variety in how jurisdictions approached this topic – driven by domestic set-ups

“Risk assessment experts at central level have general access, as well as selected officers from the Ministry of Finance for economic and statistical analysis. Local level access is tied to case specific data.”

“Operational staff with a business case (for example, in Transfer Pricing Audit units) and users who examine CbCR data for economic purposes.”

“Only tax officers who need to use the CbCR information will get access to the data. In addition, there is a requirement that an e-learning course on the correct use of CbCR must be completed in order to get access.”

Approaches to risk assessment

- Most respondents outlined a centralised approach
- CbC reports used alongside other information in the majority of cases
- The OECD 18 risk indicators were still popular among IOTA members
- Most respondents found that identifying jurisdictions with high profits and low substance the most useful

Risk assessments are performed centrally and on a hybrid (manual and automatic) basis. A number of risk assessment profiles over the years and a defined criteria is run over bulk data. This is done in conjunction with manual risk assessment practices.

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Success stories

- Seeking to identify results from using the CbC reports
- Recognised that it can be difficult to capture success given where the CbC report sits in the risk assessment process
- A number of IOTA members highlighted that CbC is integrated into their risk assessment – so cannot be specific
- One IOTA member used the CbC reports to identify IP that was transferred out of their country

CbC wider developments

2020 Review

- Work was paused on the 2020 review to allow for the development of the two pillar solution
- A number of topics were agreed, but the pause has given jurisdictions time to reflect on the Pillar 2 and it interacts with CbC reporting
- A number of recommendations made by the Secretariat to align with the GLoBE rules

For example

- Aligning the reporting threshold and method (multi-year) of calculation
- Amend the deemed listing provision in CbC with the deemed consolidation test under GLoBE
- Adopt the GLoBE approach to corporate restructuring

Large Business and International Programme - CbC focus group

- The FTAs LBIP group has started a major piece of CbC work
- The group is open to LBIP members and other jurisdictions may also attend
- Focus is on experiences of CbC reporting so far
- Different jurisdictions present and the findings are captured and taken forward
- UK and Canada lead the work
- Look to complement existing OECD CbC materials

Any questions?