

IOTA Forum

Implementation of Measures to Counter Base Erosion and Profit Shifting (BEPS)

Group Discussion 1

Country by Country Report / MAP

Question 1

Following the launch of GloBE Rules and the introduction of GMT legislation across various EU and non-EU countries, how do you see the role of CbC reporting evolving in the short and medium-term future? Do you anticipate that tax administrations will continue to invest in and utilise CbCR data alongside these new developments?

FEEDBACK FROM GROUP 1 (red)

- Strategic role of CbCR in the short term given the safe harbour is in place for the next two years.
- High importance of CbCR following the implementation of GMT – help identifying CEs through CbCR while waiting for GIR
- Rationalisation of data: EU is planning to rationalise information exchange of CbCR – IT solutions will need to include CbCR and GMT data.
- Deferral taxes – not in the CbCR data but only from financial accounts – important for the numerator of the simplified ETR safe harbour
- CbCR, short document, easier to file than GIR
- Different scope, but in the future it would be important to harmonise it
- Improve the quality of CbCR.

Question 1

Following the launch of GloBE Rules and the introduction of GMT legislation across various EU and non-EU countries, how do you see the role of CbC reporting evolving in the short and medium-term future? Do you anticipate that tax administrations will continue to invest in and utilise CbCR data alongside these new developments?

FEEDBACK FROM GROUP 2 (yellow)

Opportunity of centralizing information regarding these issues.

Improving tax administration risk analysis procedures and creating risk profiles.

Possibility of CbcR and Pillar II alignment and avoiding overlapping.

Strengthen complementary aspects of CbcR on GloBE.

If Permanent safe harbour is not agreed the transitional CbcR safe harbour may be extended.

CBCR main activities to be used as part of specific risk assessment of tax incentives on Globe.

Question 2

For both countries that implemented CbCR legislation from the very beginning, and those that have recently adopted it, what are, in broad terms, the benefits expected from its introduction? At the OECD level, a review of the CbC reporting minimum standard is currently underway. Are you actively involved in or closely following this process, and do you believe the proposed amendments will help improve the quality of the data and enable broader access for more countries?

FEEDBACK FROM GROUP 1 (red)

- CbCR is increasing transparency
- Better risk analysis thanks to CbCR data
- Countries should keep implementing CbCR as it is a tool for tax administrations
- Good information but far to be complete or 100% accurate, e.g. problem with identifying companies, absence of TIN, etc
- Relationships with other competent authorities to solve potential issues
- Relevance of CbCR for safe harbour purposes.
- Amendments to CbCR are currently on hold because of the discussions on GloBE – issue of financial accounting principles

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FEEDBACK FROM GROUP 2 (yellow)

I. Regarding benefits expected:

- 1 The increase of the international transparency
- 2 Improvement of risk assessment
- 3 Building up a common understanding
- 4 Consistent analysis of MNE performance
- 5 Harmonising future taxpayer TP documentation

II. In relation to the proposed amendments benefits:

Alignment between CbcR and Globe, for example, deferred taxes

Enable filing accessibility

Lowering tax administrations standards and burden by those jurisdictions where have no MNE headquarters

Question 3

What is your biggest challenge when you enter into an MAP with another competent authority? Please elaborate a little bit on your reply (i.e. lack of experts/ expertise, time pressure to close the case/ meet the target, internal law constraints, other priorities, other factors).

FEEDBACK FROM GROUP 1 (red)

- The main challenges for small tax administrations are the absence of dedicated team, experience and knowledge gaps, lack of specialised resources, lack of TP experts in the CAs.
- CAs often lack independency from the tax authority – and therefore the ability to negotiate solutions.
- Legal constraints: CAs cannot enter into MAP cases in some specific circumstances (e.g. pending court judgements).
- Time for solving MAP cases might go beyond 24 months but great improvements since the implementation of Action 14.

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What is your biggest challenge when you enter into an MAP with another competent authority? Please elaborate a little bit on your reply (i.e. lack of experts/ expertise, time pressure to close the case/ meet the target, internal law constraints, other priorities, other factors).

FEEDBACK FROM GROUP 2 (yellow)

Biggest challenges when entering into a MAP:

Domestic legislations and internal organization

Gathering required information

Internal review of information and other findings

Historical information recovery and review

Differences based on databases

Deciding the information to be part of position paper

Preparation of files, in particular, when there is a high number of them

Tax administration budgets considerations

Domestic deadlines and schedules matching other tax administrations ones

The convenience of closing files in time

Question 4

What could be in your opinion some further steps/ proposals that CAs could follow, in order to decrease their MAPs Case Inventory, but also in order to achieve better results (both in terms of time and enhanced tax certainty)?

FEEDBACK FROM GROUP 1 (red)

- Having dedicated teams and skilled resources for MAP cases
- Being open to negotiation (nobody gets all they want)
- Early engagement and pre-MAP discussions (before escalating to MAP cases)
- Improving collaboration and sharing best practices
- APAs can help avoiding MAP cases – but APAs are based on facts and circumstances - TAs may reject the conclusions of APAs
- Clear timelines
- Guidance to solve/harmonise countries' legal constraints

Question 4

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FEEDBACK FROM GROUP 2 (yellow)

Decreasing case inventory:

Pre-emptive measures

Internal criteria/feedback with tax auditors

Cooperative compliance, for example, ICAP

Improving common TP standards

Pragmatical approach

Other measures, for instance, safe harbours

International consistency as a final goal