



# IOTA Forum

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

**Group Discussion 2**

**CbC Reporting /  
New Definition of Remote PE**



# Question 1

What makes it difficult to turn CbCR risk indicators into concrete compliance actions in practice? In a cross-border context, are there specific CbCR data points that you find particularly useful?

## FEEDBACK FROM GROUP 2 (green)

### Key findings

- **Translation gap:** Participants repeatedly noted a gap between high-level CbCR indicators (e.g., effective tax rates, related-party revenues, intra-group financing balances) and actionable audit leads. Indicators flag risk but rarely identify the specific transactions, entities, or time periods that justify immediate enforcement steps.
- **Context dependence:** The usefulness of any indicator depends heavily on business model, industry norms, and jurisdictional context; a low ETR is not automatically evidence of non-compliance.
- **Data quality and comparability issues:** Inconsistent entity names, differing accounting bases, and aggregation levels in CbCR filings make automated matching to domestic registries and tax returns difficult.

### Supporting detail

- Participants described frequent false positives from simple ETR thresholds and stressed the need to combine multiple indicators (profit allocation vs. substance, related-party margins, financing patterns) before opening a case.

# Question 1

**What makes it difficult to turn CbCR risk indicators into concrete compliance actions in practice? In a cross-border context, are there specific CbCR data points that you find particularly useful?**

## FEEDBACK FROM GROUP 2 (green)

- Several speakers recommended enrichment of CbCR with auxiliary data (tax returns, statutory accounts, trade data) to move from indicator to investigation.

### Practical implications

- Relying on single CbCR metrics leads to inefficient use of audit resources and potential taxpayer disputes.
- Automated triage must be tuned to sectoral benchmarks and local filing practices to reduce noise.

## Question 2

Are you beginning to use CbC reports to estimate the population of MNE groups that may be in scope of GMT in your jurisdiction? What do you see as the main limitations or challenges? Are you also using CbCR data for early GMT risk analysis, for example to spot low tax jurisdictions or profit and substance misalignments?

## FEEDBACK FROM GROUP 2 (green)

### Key findings

- **Early adoption for population estimation:** Several administrations are piloting use of CbCR to estimate the number and characteristics of MNEs likely to fall within GMT scope, but most are at an exploratory stage.
- **Main limitations:** incomplete coverage (thresholds, late filers), timing lags between accounting periods and CbCR filing, and lack of consolidated group identifiers limit accuracy.
- **Value for early risk spotting:** CbCR is useful for **early screening** to identify groups with low consolidated ETRs, significant profits booked in low-tax jurisdictions, or mismatches between profit and substance (e.g., high profits with minimal payroll or tangible assets).

### Supporting detail

- Participants noted that CbCR can flag candidate groups for GMT top-up analysis but cannot, on its own, determine whether a top-up tax is due without further consolidated and jurisdictional tax data.

## Question 2

Are you beginning to use CbC reports to estimate the population of MNE groups that may be in scope of GMT in your jurisdiction? What do you see as the main limitations or challenges? Are you also using CbCR data for early GMT risk analysis, for example to spot low tax jurisdictions or profit and substance misalignments?

## FEEDBACK FROM GROUP 2 (green)

- Use cases included mapping profit concentration in low-tax jurisdictions and identifying groups with high intra-group financing that may shift profits.

### Practical implications

- Estimates of GMT in-scope populations from CbCR should be treated as **indicative** and used to prioritize data collection rather than as definitive lists for enforcement.
- Early GMT screening can inform resource allocation and bilateral/multilateral information requests.

## Question 3

How do you integrate OECD guidance on home office PE into day-to-day audit practice? What indicators are used first by your tax administration to argue for a home office PE?

## FEEDBACK FROM GROUP 2 (green)

### Key findings

- **Practical uptake varies:** Some administrations have integrated OECD home-office PE guidance into audit manuals and training; others are still developing operational procedures.
- **Primary indicators used:** frequency and regularity of remote work, location of decision-makers, presence of client-facing activities from the home office, and whether the remote worker habitually concludes contracts or exercises authority on behalf of the enterprise.
- **Evidence challenges:** proving habitual exercise of authority or that the home office is a fixed place of business is difficult when operations are virtual and decisions are distributed.

### Supporting detail

- Tax auditors rely first on documentary indicators (employment contracts, delegation of authority, internal approval matrices) and digital evidence (meeting logs, email trails, collaboration platform records) to establish presence and activity.
- Several participants emphasized the need to distinguish **temporary remote work** from a fixed place of business that creates a PE.

## Question 3

**How do you integrate OECD guidance on home office PE into day-to-day audit practice? What indicators are used first by your tax administration to argue for a home office PE?**

## FEEDBACK FROM GROUP 2 (green)

### Practical implications

- Without clear, consistent indicators, audits risk overreaching or missing genuine PE cases.
- Digital footprints are increasingly central to PE analysis but raise evidentiary and privacy considerations.

## Question 4

How do you verify where “key decisions” are actually made in a multinational group with remote operations? In the view of your tax administration, which business models are currently most exposed?

## FEEDBACK FROM GROUP 2 (green)

### Key findings

- **Verification methods:** auditors combine documentary review (board minutes, delegation of authority, organizational charts), digital evidence (video conference records, email approvals, ERP workflow logs), and interviews with management and local staff.
- **Distributed decision-making complicates attribution:** many groups use decentralized governance, shared services, or virtual committees, making it hard to pinpoint a single location of decision-making.
- **Most exposed business models:** digital platforms, centralized treasury and financing hubs, contract manufacturing with limited local substance, and groups using regional headquarters in low-tax jurisdictions.

### Supporting detail

- Participants highlighted that **treasury and IP-centric models** are particularly vulnerable because decision-making (e.g., licensing, financing terms) can be centralized in a low-tax location while operational substance sits elsewhere.
- Remote work and cloud-based collaboration mean that decision evidence is often ephemeral and requires timely capture.

## Question 4

**How do you verify where “key decisions” are actually made in a multinational group with remote operations? In the view of your tax administration, which business models are currently most exposed?**

## FEEDBACK FROM GROUP 2 (green)

### Practical implications

- Auditors must be prepared to follow electronic trails and to challenge formal governance documents when they conflict with operational reality.
- Business models with thin local substance but centralized control are high priority for risk assessment.