Tax and Legal Alert

Tax Services, PwC Slovakia

Country-by-Country Reporting from 2016 and EU Reform of Corporate Taxation

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In brief

On 8 June 2015, the OECD released a "Country-by-Country Reporting Implementation Package". The package includes model legislation the OECD suggests could be used by countries to mandate filing of country-by-country reports (CbCRs) and model competent authority agreements. The model legislation sets forth a general description of data than multinational enterprises (MNE) need to provide in the CbCRs. The model legislation suggests that the effective date of legislation would be for reporting fiscal years of MNE groups beginning on or after 1 January 2016 already.

On 17 June 2015 the EU Commission presented an Action Plan to fundamentally reform corporate taxation in the EU. The Action Plan sets out a series of initiatives to tackle tax avoidance, secure sustainable revenues and strengthen the Single Market for businesses. Collectively, these measures are aimed to significantly improve the corporate tax environment in the EU, making it fairer, more efficient and more growth-friendly.

Country-by-Country Reporting from 2016 in detail

The model legislation suggests that the form in which the data will be provided should be identical to, and applying the definitions and instructions contained in, the "standard template" set out either in the OECD Transfer Pricing Guidelines, the final report on base erosion and profit shifting (BEPS) Action 13, or an appendix to the legislation, once adopted.

The legislation package also reveals the OECD members' current thinking on, among other things, (1) how a MNE group is to be comprised for purposes of the filing requirements, (2) which small MNE groups would be excluded from the requirements, (3) which entity in the MNE group would be expected to file the CbCR, and (4) the intended government use and confidentiality of the CbCR information.

The model legislation provides that the tax administration collecting the CbCR shall use the country-by-country report for purposes of assessing high-level transfer pricing risks and other base erosion and profit shifting related risks in a country, including assessing risk of non-compliance by members of the MNE Group with applicable transfer pricing rules, and where appropriate for economic and statistical analysis.

The legislation further provides that transfer pricing adjustments by the Country Tax Administration will not be based on the CbC Report. Jurisdictions are not prevented from using the CbC Report data as a basis for making further enquiries into the MNE Group's transfer pricing arrangements or into other tax matters in the course of a tax audit and, as a result, may make appropriate adjustments to the taxable income of a Constituent Entity.

Further, the model legislation provides that the CbCR should be filed no later than 12 months after the last day of the Reporting Fiscal Year of the MNE Group. Also consistent with earlier guidance, the model legislation provides that the effective date of legislation would be for reporting fiscal years of MNE groups beginning on or after 1 January 2016. The 1 January 2016 effective date, however, is presented in brackets, presumably to acknowledge that some countries will deviate from that date.

Key takeaways

The CbC reporting obligation will fall on the ultimate parent entity or other appointed MNE group entity, subject to certain conditions. Otherwise each Constituent Entity will have to file the CbCR locally.

The model legislation provides that the effective date of legislation would be for reporting fiscal years of MNE groups beginning on or after 1 January 2016.

EU Reform of Corporate Taxation in detail

Key actions include a strategy to re-launch the Common Consolidated Corporate Tax Base (CCCTB) and a framework to ensure effective taxation where profits are generated.

The approach should be driven by the following objectives:
1. Re-establishing the link between taxation and where economic activity takes place.

2. Ensuring that Member States can correctly value corporate activity in their jurisdiction.

3. Creating a competitive and growth-friendly corporate tax environment for the EU, resulting in a more resilient corporate sector, in line with the recommendations in the European Semester.

4. Protecting the Single Market and securing a strong EU approach to external corporate tax issues, including measures to implement OECD BEPS, to deal with non-cooperative tax jurisdictions and to increase tax transparency.

The Commission is also publishing a first pan-EU list of third-country non-cooperative tax jurisdictions and launching a public consultation to assess whether companies should have to publicly disclose certain tax information.

Key takeaways

The Action Plan will be the basis for Commission work on corporate tax policy over the next years. Work will evolve to take account of the input of the European Parliament, contributions of other EU institutions and stakeholders, and outcomes of the OECD BEPS initiative.

The Action Plan has identified the core areas of work for the immediate, medium and long-term future. The harmonisation of corporate tax rates is not part of this agenda. The aim is to coordinate Member States tax systems so that they can better combat aggressive tax planning. With respect to immediate future, the Commission expects good results to be achieved in the EU over the next 18 months, following the BEPS agenda

Let´s talk

For a deeper discussion of how this issue might affect your business, please contact:

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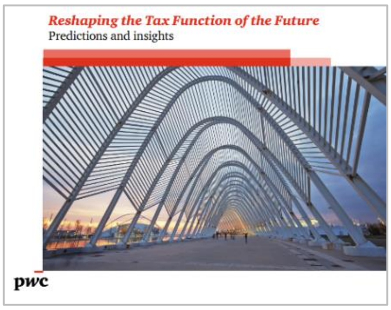
Current affairs in PwC

Of further interest

The tax function must transform to become a strategic business asset

Never before has tax been more important to governments, taxpayers and other stakeholders.



Increased global compliance requirements, together with a greater need for robust controls to manage tax risks and a desire to use data analytics to assist in business wide decision making processes are all impacting tax functions and their investment decisions.

To remain relevant to the business functions will need to manage these growing external pressures and operational challenges by charting a course for continuous transformation that is immediate, holistic and practical.

The Tax Function of the Future will look fundamentally different from today's; companies that find ways to bridge the gap between this future state and their current capabilities will be the ones to succeed.

PwC's Tax Function of the Future series launched in June explores their global predictions for the tax function, the challenges arising and how these need to be tackled by companies in the next three to five years.

PwC's predictions for the Tax Function of the Future

According to PwC, there will be six main areas affecting the tax function that will undergo radical change over the next three to five years:

1. The global legislative and regulatory landscape
2. Tax function's role in risk management and governance
3. Data flow into the tax function
4. Technology automation for tax function analytical tasks
5. Tax function roles and processes
6. The tax professional of the future

PwC's predictions for the tax function in these areas can be found in our report on *www.pwc.com/taxfunctionofthefuture*

TOP 10 business women in Slovakia

PwC in co-operation with the daily newspaper Hospodárske noviny announced the annual "TOP 10 business women in Slovakia" awards.

Our goal is to open the topic of the gender agenda and the glass ceiling in Slovakia and to start a conversation about it throughout the wider public. At the same time, we would like to praise business women who have great careers and highlight their success stories. We believe that this project is inspiring for many women trying to build their careers in Slovakia.

The awards were announced during the HN Club on 16 June 2015. Alica Pavúková, Partner in PwC, was one of the jury members.

This year "TOP business woman in Slovakia" award was granted to Regina Ovesny-Straka, General Director of Kooperativa Insurance.

The winner of the online poll was Daniela Mišurová, General, Director of DHL Express Slovakia.

You can find the list of nominated business women on: *club.hnonline.sk/top10zien.html*