

# IRS publishes aggregate Country-by-Country Report data

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## In brief

The IRS recently updated its [Statistics of Income Tax Stats](#) Web page (originally released on December 19, 2018), publishing six new tables presenting data from Form 8975, Country-by-Country Report (CbC Report), and Form 8975, Schedule A, Tax Jurisdiction and Constituent Entity Information. No specific information about a particular multinational enterprise (MNE) can be inferred from the published data.

The publication of aggregate CbC Report data by the IRS is not the only expected publication of such aggregate data. The OECD soon will also start publishing aggregated and anonymized statistics from CbC Reports.

## In detail

### IRS data publication

Action 13 of the OECD's Action Plan on Base Erosion and Profit Shifting (BEPS) seeks to enhance transparency for tax administrations by providing them with information to conduct transfer pricing risk assessments and examinations through increased transfer pricing documentation requirements, specifically including a new CbC Report and a master file. The first CbC Reports were required to be filed for MNE fiscal years beginning on or after January 1, 2016. In many cases the first such reports were filed by US taxpayers in October 2017, and then exchanged among tax authorities by June 30, 2018.

The IRS now has published certain data from CbC Reports, on an aggregate basis, on its Statistics of Income (SOI) Tax Stats Web page, that includes six new tables presenting data from Form 8975, Country-by-Country Report, and Form 8975, Schedule A, Tax Jurisdiction and Constituent Entity Information. Generally, the SOI data provided by the IRS presents a wide range of tables, articles, and data that describe and measure elements of the international tax system. The CbC tables present data from the estimated population of returns filed for tax year 2016.

Five tables display number of filers, revenues, profit, income taxes, earnings, number of employees, and tangible assets.

The first three tables are classified by major geographic region and selected tax jurisdiction; the fourth is classified by major industry group, geographic region, and selected tax jurisdiction; and the fifth is classified by effective tax rate of MNE subgroups. The sixth table presents number of constituent entities classified by major geographic region, selected tax jurisdiction, and main business activities.

**Observation:** The tables present the CbC Report data on an aggregate basis from the population of returns filed for tax year 2016. No specific information about any particular MNE can be inferred from the published data.

SOI produces an annual publication of certain statistics related to “the operations of the internal revenue laws.” The information SOI gathers, analyzes, and publishes is used in a variety of ways, to analyze tax policy, project tax revenues, and estimate the overall impact of tax law changes and their effects on tax collections.

**Observation:** The IRS intends to use individual taxpayer CbC Reports to conduct transfer pricing risk analyses; it is not clear how aggregate CbC Report data can be used to accomplish the purposes described above.

### OECD data publication

The publication of aggregate CbC Report data by the IRS is not the only expected publication of such aggregate data. The OECD soon will also start publishing aggregated and anonymized statistics from CbC Reports.

The OECD’s stated goal of gathering and analyzing statistics derived from CbC Reports is to provide governments with a more complete view of the largest MNEs’ global activities and to improve the economic and statistical analysis of BEPS. The OECD’s work is motivated by its belief that one of the greatest difficulties in the measurement and analysis of BEPS has been the lack of available data on the income, taxes, and business activity of MNE groups on a jurisdiction-by-jurisdiction basis. The OECD believes that CbC Reports are a “step forward” in measuring BEPS behavior, since they will provide jurisdiction-specific information.

**Observation:** Similar to questions regarding how individual CbC Reports can provide reliable and meaningful information in conducting assessments of transfer pricing risk, significant questions arise regarding how aggregate, anonymized statistics from CbC Reports can provide useful

information regarding the measurement and analysis of BEPS. Nonetheless, the publication of such statistics from CbC Reports by both the IRS and OECD represents the next step in an evolving trend toward greater transparency of tax return information, but perhaps without due regard to the relevance of such information. Additionally, concerns may be raised as to whether publication of such aggregate, anonymized data may lead to publication of individual CbC Report data.

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### The takeaway

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We expect to publish an in-depth Insight with more detailed analyses of the CbC Report data published by the IRS within the coming days.

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**Let's talk**

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

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