

Country-by-Country Reporting: An update from Irish Revenue

Country by Country (“CbC”) Reporting is part of Action 13 of the OECD/G20 Base Erosion and Profit Shifting (“BEPS”). In October 2015, the OECD/G20 published the Transfer Pricing Documentation and Country-by-Country Reporting Action 13 Final Report (the “BEPS Action 13 Final Report”).

CbC Reporting requires large multinational enterprises (“MNE”) to file a CbC Report that will provide a breakdown of the amount of revenue, profits, taxes and other indicators of economic activities for each tax jurisdiction in which the MNE group does business. **CbC Reporting only applies to MNE Groups with annual consolidated group revenue of €750 million or more in the preceding fiscal year.**

For the first time, CbC Reporting will give tax administrations a global picture of the operations of MNE Groups. Tax authorities can then use this information to perform high-level transfer pricing risk assessments and to evaluate other BEPS-related risks.

Parent companies of a MNE group resident in Ireland with consolidated revenue of €750m or more will be required to file a CbC report with the Irish Revenue. Irish law provides for a secondary filing mechanism through which a MNE group can designate an Irish-resident constituent entity to act as “surrogate parent” to file a CbC report on the group’s behalf. If neither the actual parent nor the surrogate parent can file the report, a local country file must be submitted to Irish Revenue known as an “equivalent CbC report”.

A CbC report for an MNE Group must contain the following information in respect each jurisdiction in which the MNE Group operates:

- (a) on an aggregate basis, —
 - (i) amount of unrelated party revenue, related party revenue and total revenue;
 - (ii) amount of profit or loss before income tax;
 - (iii) amount of income tax paid;
 - (iv) amount of income tax accrued;
 - (v) amount of stated capital,
 - (vi) amount of accumulated earnings,
 - (vii) number of employees, and
 - (viii) value of tangible assets other than cash or cash equivalents; and

- (b) identification of each constituent entity carrying on a business or tax resident in each jurisdiction and, where different from such jurisdiction of tax residence, the jurisdiction under the laws of which such constituent entity is organised, and the nature of the main business activity or activities of each constituent entity.

Notification for CbC reporting purposes must be made through the Revenue Online Service (ROS). Notification is required on an annual basis. CbC reporting requirements apply to fiscal years beginning on or after 1 January 2016. The reporting deadline for this period is 31 December 2017. MNEs with fiscal years ending on a date other than 31 December must file CbC reports later in 2018, i.e. twelve months after the end of the groups respective fiscal year.

The following updates have been made to Irish CbC reporting requirements:

Where the parent of an MNE group is an Irish company:

The company must notify Irish Revenue that it is the parent entity of the group for the relevant reporting period. Notification must be given before the end of the reporting period and the CbC report (or equivalent report) must be filed within twelve months from the end of the accounting period.

Where an Irish company has been appointed as ‘surrogate parent’ for an MNE:

The company must notify Irish Revenue that it has been appointed as surrogate parent for the relevant reporting period. Notification must be given before the end of the reporting period and the CbC report (or equivalent) must be filed within twelve months from the end of the accounting period.

Where the company is neither parent nor surrogate, merely a ‘reporting entity’:

The company must notify Irish Revenue that it is an Irish constituent entity and an official reporting entity of the relevant MNE group. Notification must be given before the end of the reporting period and the CbC report (or equivalent) must be filed within twelve months from the end of the accounting period. The details of any equivalent report are not shared with other tax authorities.

Where an MNE group has nominated an Irish entity to act on behalf of all other Irish constituent entities:

The nominated entity must identify itself to the Irish Revenue, providing details of the jurisdiction in which it is tax resident. This information must be provided before the end of the relevant reporting period. The CbC report will be shared with Irish Revenue through exchange of information procedures.