Corporate Tax Statistics

Anonymised & Aggregated Country-by-Country Reporting Data

FREQUENTLY ASKED QUESTIONS

A. COUNTRY-BY-COUNTRY REPORTS: GENERAL BACKGROUND

1) What are Country-by-Country Reports (CbCRs)?

Country-by-Country reporting was implemented as part of Action 13 of the OECD/G20 Base Erosion and Project Shifting Project to support jurisdictions in combating BEPS. Under Action 13, multinational enterprise (MNE) groups with revenues above EUR 750 million (or the near equivalent in local currency as at January 2015) are required to annually submit CbCRs, typically in their headquarter jurisdiction. The CbCRs contain a wide range of aggregate information, for each jurisdiction in which they do business, relating to the global allocation of the MNE's income and taxes paid together with certain indicators of the location of economic activity within the MNE group, as well as information about which entities do business in a particular jurisdiction and the business activities each entity engages in.

2) What is the purpose of CbCRs?

The main purpose of Country-by-Country Reports (CbCRs) is to support tax administrations in the high-level detection and assessment of transfer pricing and other BEPS-related risks. Apart from assisting with high-level risk assessment, the data collected from CbCRs can also play an important role in supporting the economic and statistical analysis of BEPS behaviour and of MNEs in general. Under Action 11 of the BEPS Project, jurisdictions agreed to regularly publish anonymised and aggregated CbCR statistics to support the ongoing economic and statistical analysis of MNEs and BEPS.

3) Are CbCRs submitted by MNEs public?

In 2015, there was no consensus among members to make CbCRs public. Instead, MNEs submit their CbCRs to the relevant governments. To protect the confidentiality of potentially sensitive information, it is not made publicly available. This is consistent with the treatment of most other taxpayer information. The issue of whether CbCRs should be made public is still being discussed and members have different views on this issue. It is being considered as part of a separate process, in the context of the 2020 Review of Country-by-Country Reporting (BEPS Action 13).

B. ANONYMISED & AGGREGATED COUNTRY-BY-COUNTRY REPORT STATISTICS

4) What are anonymised and aggregated CbCR statistics?

Anonymised and aggregated CbCR data provide global information on MNEs' activities, with more granular information than is available in other data sources such as consolidated financial accounts. The data include information on MNE employees, related and unrelated party revenues, profits and taxes paid. The data ensure the inclusion of all global activities of included MNEs, and it allows for the domestic and foreign activities of MNEs to be separately identified. Data are geographically disaggregated, with detail differing between reporting jurisdictions. Information is reported by jurisdiction of tax residence and not jurisdiction of incorporation. The CbCR data provide cross-country information on MNEs major business activities (e.g. manufacturing, IP holding, sales) in different jurisdictions.

5) What is the purpose of publishing anonymised and aggregated CbCR data?

BEPS Action 11 Final Report (2015) highlighted that indicators and analyses of BEPS are severely constrained by the limitations of currently available data. In particular, currently available data is not comprehensive across countries or companies, and often does not include actual taxes paid. While recognising the need to maintain appropriate safeguards to protect the confidentiality of taxpayer information, members of the OECD/G20 Inclusive Framework on BEPS agreed to publish anonymised and aggregated CbCR statistics to provide access to new important information having the potential to improve the measurement and monitoring of BEPS.

C. ANONYMISED & AGGREGATED CBCR DATA: COLLECTION & COVERAGE

6) How is the CbCR data collected?

Since 2015, the OECD has been working with jurisdictions to develop a consistent format for the reporting of anonymised and aggregated CbCR statistics. These statistics are constructed in two main steps.

- First, all large MNEs file CbCRs, typically with the tax administration in the jurisdiction of their ultimate parent entity (UPE). To construct the first aggregate set of data, jurisdictions started receiving CbCRs for the first time in late 2017/early 2018.
- Second, in each jurisdiction, tax administrations or other government bodies compile the different CbCR filings into a single dataset according to their specific confidentiality standards. This results in a single anonymised and aggregated dataset covering all the jurisdiction's MNEs subject to the filing requirement, which is shared with the OECD where the data from all submitting members of the Inclusive Framework is consolidated for the purpose of publication.

An MNE group is usually required to file its CbCR one year after the closing date of its fiscal year. The OECD has worked closely with members of the Inclusive Framework to develop a common reporting template and to overcome a range of legal and technical issues to ensure that jurisdictions have been able to start submitting aggregate data to the OECD.

7) What is the coverage and scope of the anonymised and aggregated CbCR data?

This first release includes anonymised and aggregated CbCR statistics provided by 26 countries, covering nearly 4,000 MNE groups with fiscal years starting between 1 January 2016 and 1 July 2016. Since CbCR filing is required only for MNE groups with consolidated revenues above EUR 750 million (or the near equivalent in local currency as at January 2015) in the previous fiscal year, for each submitting jurisdiction, CbCR statistics are based solely on these large MNE groups. CbCR data ensure complete coverage of all these large MNE groups headquartered in those jurisdictions where CbCR filing was mandatory for fiscal years starting in 2016 while coverage is likely to be incomplete where filing was voluntary. The total amount of profits reported in the first release of anonymised and aggregated CbCR statistics amounts to USD 4.4 trillion. This accounts for approximately 71% of the total wordwide corporate profits of firms above the CbCR threshold, which is estimated to be USD 6.2 trillion in 2016.

8) Why does the dataset not include CbCR statistics from all members of the Inclusive Framework?

Of the 137 members of the Inclusive Framework, only 58 jurisdictions received CbCRs from MNEs for the fiscal year starting in 2016, with only 46 having implemented mandatory reporting for the fiscal year 2016 and 12 having received CbCRs under voluntary filing. Of the jurisdictions receiving CbCRs, only 35 were estimated to have received a sufficient number of CbCRs to be able to provide aggregated statistics while ensuring taxpayer confidentiality. Of these 35, the first data release presents CbCR statistics from a total of 26 jurisdictions – a coverage rate of 74%. Some jurisdictions could not provide anonymised and aggregated CbCR statistics due to several reasons, including choosing not to submit or to withdraw submissions because of concerns over data quality, technical difficulties and legal issues.

D. ANONYMISED & AGGREGATED CBCR DATA: LIMITATIONS

9) Are the anonymised and aggregated CbCR data subject to data limitations?

A number of data limitations are described in the disclaimer accompanying the data, available online. Other limitations include the following.

- The level of data aggregation does not allow detailed investigation of specific BEPS channels.
- CbCRs are often based on financial accounting data, so that CbCR data might not accurately represent how items are reported for tax purposes, and differences in accounting rules could affect the comparability of CbCR data across jurisdictions.
- Several countries, including large ones, have not submitted aggregated CbCR statistics to the OECD for publication.
- MNEs may have included intra-company dividends in profit figures (see FAQ #10), possibly introducing a downward bias when calculating effective tax rates.
- In the case of stateless income, the inclusion of transparent entities such as partnerships may give rise to double-counting of revenue and profit. In addition, it could give the impression that stateless profit is untaxed, since this income is generally taxed at the owner level.
- Corporate income tax (CIT) exempt companies such as pension funds or university hospitals are required to file CbCRs and as such are included in aggregated statistics, unless otherwise specified. The inclusion of these companies could distort the relation between profits and taxes.

10) What is the potential impact of including intra-company dividends in profits reported in the anonymised and aggregated CbCR data?

MNEs may have included intra-company dividends in profit figures, meaning that profit figures could be subject to double counting. Uncertainty about the inclusion or exclusion of intra-company dividends in profit before tax hampers the interpretation of CbCR statistics and the comparability of the aggregate data across reporting jurisdictions. While the inclusion of dividends in the profit figure is normal in separate financial accounting, in the context of corporate income tax analysis it can lead to biased results. As a distribution of post-tax profits, dividends are often lightly taxed or tax-exempt. Therefore, the inclusion of intra-company dividends in "profit (loss) before income tax" can result in artificially low effective tax rates (ETRs). To evaluate the potential magnitude of included dividends, some jurisdictions have carried out their own independent analysis.

11) How will the anonymised and aggregated CbCR data develop over time?

Data limitations are being addressed through revised guidance. For example, with respect to the treatment of intra-company dividends, the guidance on CbCR implementation was updated in November 2019 to specify that intra-company dividends should be excluded from profit figures. However, because of the time lag in the revising of instructions with countries and in reporting, it is expected to take several years before these actions lead to improvements in data quality.

Other issues, e.g. the treatment of stateless entities, are the subject of ongoing discussion, including through the **2020 Review of Country-by-Country Reporting (BEPS Action 13)** that could lead to the collection of more detailed information through CbCR reports in the future. The OECD contingues to work with members of the Inclusive Framework and other stakeholders to improve the quality and consistency of the data across jurisdictions.

E. ANONYMISED & AGGREGATED CBCR DATA and BEPS

12) What can the data tell us about BEPS?

Anonymised and aggregated CbCRs represent an important new source of information on the global activities of MNEs, having the potential to significantly enhance the economic analysis of BEPS. While over time it may be possible to draw upon the anonymised and aggregated CbCR statistics to make more conclusive statements about BEPS, it is still early days and our ability to draw conclusions is constrained by the following:

- The data relates to a single year and detecting trends and changes in BEPS will not be possible until further years of comparable data are collected.
- The data relates to the 2016 year and pre-dates the implementation of many measures recommended as part of the OECD/G20 BEPS Package. The data also pre-dates the US tax reform.
- The level of data aggregation does not allow a detailed investigation of specific BEPS channels.
- CbCRs are often based on financial accounting data, so that CbCR data might not accurately represent how items are reported for tax purposes, and differences in accounting rules could affect the comparability of CbCR data across jurisdictions.
- Even with this additional data it will still be difficult to fully separate BEPS from real economic activity and from non-BEPS tax preferences.

Noting these caveats and the limitations described in the **disclaimer**, this first release of CbCR statistics suggests some preliminary insights that could be indicative of BEPS (see FAQ #13).

13) What preliminary insights does the CbCR data allow?

Noting the caveats and data limitations described in the **disclaimer**, this first release of anonymised and aggregated CbCR statistics suggests some preliminary insights that are indicative of BEPS.

- **The data are indicative of a misalignment between the location where profits are reported and the location where economic activities occur**. On average, MNEs report a relatively high share of profits (25%) in investment hubs (jurisdictions with a total inward Foreign Direct Investment position above 150% of GDP), compared to their share of employees (4%) and tangible assets (11%).
- **Revenues per employee tend to be higher where statutory CIT rates are zero and in investment hubs.** The median value of revenues per employee in zero CIT rate jurisdictions is above USD 1.4 million, as compared to USD 370 000 for jurisdictions with CIT rates higher than 20%. In investment hubs, median revenues per employee are USD 1.1 million, while in other jurisdictions (high, middle and low income economies) revenues per employee are higher (USD 390 000, USD 180 000 and USD 150 000 respectively).
- **On average, the share of related party revenues (transactions between companies controlled by the same MNE) in total revenues is higher for MNEs in investment hubs.** Related party revenues account for 40% of total revenues at the median in investment hubs; whereas the median share of related party revenues in high, middle and low income countries is between 5% and 20%.
- **The predominant business activity in investment hubs is "holding shares and other equity instruments"** Sales, manufacturing and services are the most prevalent activity of MNEs in all countries, except in investment hubs where the predominant activity is "holding shares and other equity instruments". A concentration of holding companies is a risk assessment factor and could be evidence of certain tax planning structures.

Corporate Tax Statistics: Second Edition* was released on 8 July 2020, to access the report and its dataset, please visit: *http://oe.cd/corporate-tax-stats.

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