

NOTE ON COUNTRY-SPECIFIC ANALYSIS: ITALY

Through the collaboration of members of the Inclusive Framework on BEPS, [Anonymised and Aggregated Country-by-Country Report \(CbCR\) statistics](#) have been published. Further information about these data can be found in the [Corporate Tax Statistics publication](#). While these CbCR statistics represent an important new source of data on the global tax and economic activities of multinational enterprises (MNEs), they are subject to a number of data limitations. These limitations are detailed in the [disclaimer](#) accompanying the dataset.

A number of jurisdictions have carried out analysis on their CbCR data to investigate the potential impact of some of the limitations for their country data. This document contains analysis carried out by Paolo Acciari, Barbara Bratta and Vera Santomartino from the Italian Ministry of Economy and Finance .

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Analytical summary of dividends in CbCR FY 2016 for Italy

The impact of the possible inclusion of dividends in the Profit (Loss) variable reported in the CbCR has been analysed by merging the CbCR dataset with CIT tax returns data, where information on the amount of dividends is reported. The steps undertaken in order to do so are described in the following paragraph.

The ID codes for each entity in table 2¹ have been extracted and for those entities where no ID information was present, the names of the entities have been used to obtain the ID info in the Orbis-BvD dataset. The ID codes have been then used to obtain information on Dividends from the CIT Tax return.

Dividends reported in the tax return by each Italian entity of MNEs with Italian UPE compiling the CbCR were sum up so to compute the subgroup level amount of dividends for each MNE.

As in the tax return each firm must indicate their Profit (Loss) gross of dividends from financial accounts, this value has been compared for each MNE with its relative CbCR Profit (Loss) in Italy.

In order to determine whether CbCRs profit (loss) includes dividends, we compared the CbCR value first with the tax return profit (loss) gross of dividends, and then with the tax return's profit (loss) net of dividends.

As a result, we can conclude that the strong majority of Italian UPE have included dividends in the Profit (Loss): the median distance between the CbCR value and the tax return value, results to be much higher when considering the tax return profit loss net of dividends (50.98%) than when considering Profit (Loss) gross of dividends (21.56%).

As CbCRs Profit (Loss) are more in line with gross profits than net profits, they have been considered as gross of dividends and thus, dividends have been subtracted from the Profit (Loss) reported in the CbCR Table 1 to obtain the Profit (Loss) net of dividends variable for the Italian MNEs in Italy.²

The purpose of the dividend analysis is only to investigate the existence of dividends in the CbCRs data and to explore the effects of this inclusion, therefore dividends have not been subtracted in the aggregated CbCR data provided to the OECD and made available online.

From the comparison of tax return and CbCRs data, we find that out of the 130 MNEs with Italian UPE having a subgroup in Italy, 118 reported dividends in their tax return (i.e. 90.7% of Italian UPE).

Considering all the subgroups, the **median of the Profit (Loss) gross of dividends** is **53.4 million euros**, while the **median of the Profit (Loss) net of dividends** is **31.8 million euros**, the median share of dividends over Profis (Loss) is 17.6%.

When considering **only the subgroups with positive profits**, the **median of the Profit (Loss) gross of dividends** is **109.3 million euros**, while the **median of the Profit (Loss) net of dividends** is **62.3 million euros** with a median value of the share of dividends equal to 28.2%. The average value of the share of dividends is instead equal to 38.2%, thus implying that dividends are concentrated in few firms.

The **median effective tax rate (ETR) for subgroups with positive profits** is **20.5%** when calculated using the **Profit (Loss) gross of dividends**, as they come from CbCR, ETR would increase to **30.3%** when using the **Profit (Loss) net of dividends**, using dividends data from tax returns.

¹ MNE groups could report information in three tables as illustrated in Annex III to Chapter V, Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report
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² Dividends were subtracted for the purpose of this analysis.