CBCR Readiness Assessment

Are you ready to meet the requirements?

October 2015
Is your organisation ready to meet the requirements of country-by-country reporting (CBCR) and does it understand the impact of the information it will share?

The Organisation for Economic Co-operation and Development (OECD) lists 15 actions to address global concerns around base erosion and profit shifting (BEPS). Action 13 focuses on transfer pricing (TP) documentation and includes the CBCR requirement for companies to provide tax authorities with country-specific allocation of profits, revenues, employees and assets, together with other supporting information. Are you confident your organisation is ready to comply?

EY’s CBCR Readiness Assessment is a focused exercise to test your approach to CBCR from operational, technical and reputational perspectives. The outputs will give you confidence in your ability to produce a complete and accurate report to meet CBCR requirements and an action plan to address any issues identified.
Are you ready for CBCR?

CBCR requirements take effect from 1 January 2016, with the first filings becoming due on 31 December 2017 (for a UK reporting entity with a calendar year end). As such, it may first appear that there is no immediate need for action. However, this is not necessarily the case. We have worked with clients who have tested their readiness for CBCR early. This has identified some arrangements which need to be reviewed prior to the first reporting period, to reduce the need to disclose to HMRC as part of the Master File.

In addition, whilst most of our clients appreciate the technical requirements of CBCR, many are only now starting to consider the operational impact of the requirements and the potential reputational impact of sharing the required information. We have found that many clients assume they can produce the required information, in the correct format, easily, until they try to do so, at which point a number of issues typically arise regarding data availability, quality and consistency. Similarly, clients who have obtained data and performed some initial analysis on it have identified issues requiring attention.

As a result, we have developed the EY CBCR Readiness Assessment in response to our clients asking for a ‘one stop shop’ to benchmark their readiness to respond, test their data and understand the impact of sharing it.

The assessment addresses three types of issue:

**Operational**

*How will you comply?*

► Where is the data in your systems?
► Can this data be obtained easily?
► Is the data ‘clean’ (or, if not, how could it be)?
► Is the data complete, accurate and consistent?
► Is the process simple and standardised?
► Is the process efficient, transparent and controlled?
► Where can better automation ensure enhanced control and efficiencies?

**Technical**

*Where are the issues?*

► What does the data say about your supply chain?
► Can you explain your transfer pricing policy clearly?
► Can you provide supporting narrative for any anomalies?
► Have you identified any potential risk areas (e.g. significant transactions, IP, restructurings, debt)?
► How does your global footprint compare to your tax footprint?

**Reputational**

*What is the impact?*

► What would happen if the CBCR template was made public?
► Do you understand the impact of what you are sharing before you share it?
► How might your template compare against peers?
► How do the ‘messages’ in the template align to group’s tax strategy (and the requirement to publish your tax strategy in the UK in 2016/2017)?
► Have you considered the value in leveraging this work to publish your ‘Global Tax Footprint’ as part of your Corporate Social Responsibility report?
How does it work?

The assessment takes the form of a ‘pilot exercise’ to complete and analyse a CBCR submission. We will share our knowledge and experience to:

### Operational

- Map data sources.
- Test reports.
- Identify any gaps and inconsistencies in the data.
- Map the CBCR compliance process and identify opportunities to improve/automate.

### Technical

- Feed data into the EY CBCR readiness tool.
- Test completeness and accuracy of data.
- Analyse data and identify any anomalies.
- Identify issues which may require further explanation.

### Reputational

- Review the outputs from the readiness tool from a reputational perspective.
- Identify potential risks to be addressed.
- Benchmark outputs against peers.
- Benchmark outputs against your tax strategy.

The assessment is typically completed within a week. We start by spending a day onsite with you to test systems, retrieve data and facilitate workshops to discuss your proposed approach, TP impact and reputational issues. We then work offsite to feed the data through our readiness tool and identify any gaps, which we discuss with your IT team. We review the reputational impact of the outputs. We bring all this together in to a short report and action plan, including sample populated templates, which benchmark you against your peers in the three areas above. Finally, we meet with you to present and discuss our findings.
What are the outputs?

The output is a short report which includes our findings on each of the above areas, benchmarking you against our broad experience of working with other clients and making clear recommendations for each area of focus:

**Operational**

The report will map where each of the required pieces of data are in your systems, the most efficient way to obtain it and the process to get from source data to CBCR report. It will also identify any gaps and anomalies in the data which need to be addressed.

**Technical**

Draft completed CBCR table 1 and 2 templates, together with draft table 3 disclosures. In addition, the results of a data analysis exercise on the supplied data from a TP technical perspective, together with our opinions regarding potential areas for focus or further explanation.

**Reputational**

Benchmarking you against peers, our opinions regarding any key risks or areas of concern from a reputational perspective. Benchmarking you against your tax strategy, any areas where you may need to develop a supporting narrative or validate your approach.

We will also give you access to the outputs from our CBCR readiness tool so you can review the outputs in further detail.

We will bring our findings together in a prioritised action plan to help you address any issues in the lead up to your first CBCR submission.

In short, the outputs provide the essential ingredients to enable you to complete your actual CBCR submission to HMRC or other relevant authority.

Finally, we will meet with you to discuss our findings and to agree next steps.
What are the benefits?

Our readiness assessment enables you to quickly benchmark your CBCR preparations from a number of perspectives. Our team includes experts in systems, tax operations and Transfer Pricing as well as reputational specialists.

By the end of this assessment you will have the answer to the question – are we ready to be CBCR compliant? This includes confidence in your approach to CBCR, knowledge of how you benchmark against your peers and a clear action plan to address any issues identified. In short you will have confidence around:

1. The quality and completeness of your data;
2. The process to source your data;
3. The proposed compliance process;
4. The story your data is telling;
5. The impact and value of sharing that data externally.
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