

# Country by Country Reporting: Reporting Practicalities

Guernsey Guidance V.1

18 July 2017

## 1. Purpose and Status of the Guidance

This Guernsey CbCR Reporting Guidance is published to assist Guernsey resident Constituent Entities in fulfilling their reporting/notification obligations and is issued under the provisions of Regulation 10(1) of The Income Tax (Approved International Agreements) Implementation (Country by Country Reporting) Regulations, 2016 ( "The CbCR Regulations").

In order for a relevant entity to meet the filing and notification requirements of Regulation 4 of the CbCR Regulations, the relevant entity must comply with the reporting requirement imposed by, and provide the information required by the CbCR, as it applies in Guernsey, as set out in Schedule 1 of the CbCR Regulations. When doing so relevant entities are required to take in to account the following;

- a) OECD "[Guidance on the Implementation of Country-by-Country Reporting BEPS ACTION 13" document](#)" (includes regularly updated FAQs)
- b) OECD "[Transfer Pricing Documentation and Country by Country Reporting ACTION 13:2015 Final Report.](#)"
- c) The relevant provisions of these, and any other guidance notes issued by the Director, in accordance with Regulation 10(1) of the CbCR Regulations.
- d) Information and updates published on the official States of Guernsey CbCR webpage <https://www.gov.gg/cbcr>.

Under country-by-country reporting, multinational groups with consolidated group revenue of EUR 750 million or more, are required to report specified data on their international operations to their tax authority annually ("full reporting"), in respect of accounting periods commencing on or after 1 January 2016. That tax authority will in turn disseminate relevant information to jurisdictions with which it has an agreement to exchange such information.

When considering the EUR 750 million threshold, where an MNE group has Constituent Entities in jurisdictions where a domestic currency equivalent to EUR 750 million as of January 2015 is the filing threshold, there is no requirement to periodically revise the threshold to reflect currency fluctuations and the stated equivalent domestic currency shall be valid. (see [Guidance on the Implementation of Country-by-Country Reporting BEPS ACTION 13" document](#). Section IV.I)

## 2. CbCR Reports and Notifications

The first report will be required in respect of accounting periods commencing on or after 1 January 2016.

CbCR reporting and Ultimate Parent Entity ("UPE")/Surrogate Parent Entity ("SPE") notifications shall, in due course, be made solely through the web based reporting tool, the Information Gateway Online Reporter ("IGOR"). Work is underway to expand IGOR's capabilities to accommodate CbCR reporting and is anticipated to be rolled out by the end of 2017.

## I. Notification of Ultimate Parent Entity Status or Surrogate Parent Entity.

Where a Guernsey resident is a UPE or a SPE of an MNE Group must notify the Director no later than 6 months after the last day of the Reporting Fiscal Year of its MNE Group whether it is the UPE or SPE (e.g. for a Fiscal Period ending 31 December 2016, the UPE or SPE will make this notification by 30 June 2017).

Until such time that CbCR Notifications are available on IGOR, this notification may be made in writing to the Director. The Director will accept email notifications and these should be marked for his attention and sent to [eoigov@gov.gg](mailto:eoigov@gov.gg).

## II. Notification of Constituent Entity Status

An entity must notify the Director by 30 November in the year following the last day of the Accounting period if it is a constituent entity on an MNE group but is not the Ultimate Parent Entity nor the Surrogate Parent Entity. Details of the reporting entity for the multinational group, together with the country of tax residence for the reporting entity and their accounting period end must also be provided.

This notification should be given annually on the company tax return.

The screenshot shows the 'Company Return 2016' form. The question is 'Is the company a "Constituent Entity"?' with radio buttons for 'Yes' and 'No'. Below the question, there is a definition of 'Constituent Entity' with three sub-points: (i) any separate business unit of a multinational group (MNE) with consolidated group revenue of EUR 750 million or more that is included in the Consolidated Financial Statements of the MNE Group for financial reporting purposes, or would be so included if equity interests in such business unit of an MNE Group were traded on a public securities exchange; (ii) any such business unit that is excluded from the MNE Group's Consolidated Financial Statements solely on size or materiality grounds; and (iii) any permanent establishment of any separate business unit of the MNE Group included in (i) or (ii) above provided the business unit prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting, or internal management control purposes. There is a link for further information on country-by-country reporting. At the bottom, there is a progress bar showing 0% completion and buttons for 'Back', 'Reset', 'Save', 'Print Preview', and 'Next'.

Where the company confirms it is a "Constituent Entity" by selecting "YES" the following screen will follow and must be completed.

The screenshot shows the 'Company Return 2016' form with the following fields: 'Please confirm the name of the "Reporting Entity" for the "MNE"' (text input), 'Please provide the country of tax residence of the "Reporting Entity" for the "MNE"' (dropdown menu), 'If "other" has been selected from the country list above please provide further details' (text input), and 'Please provide the accounting period of the "Reporting Entity"' (date input in DD/MM/YYYY format). At the bottom, there is a progress bar showing 0% completion and buttons for 'Back', 'Reset', 'Save', 'Print Preview', and 'Next'.

If an entity is unsure whether it is a constituent entity, it should contact its parent entity or ultimate parent entity.

### III. CbCR Full Reports

CbCR Full Reports shall be made to the Director no later than 12 months after the last day of the Reporting Fiscal Year of the MNE Group (e.g., for a Fiscal Period ending 31 December 2016, the Reporting Entity will make the Full Report by 31 December 2017).

On completion of IGORs expansion to accommodate CbCR reporting the Director of Income Tax shall require that CbCR Reports are made using the Information Gateway Online Reporter (IGOR). Reporting Entity's will be required to register with IGOR.

The reports will be made in XML format on the OECD Schema, which is available at <https://www.oecd.org/tax/cbc-xml-schema-v1.0.zip>.

An accompanying user guide provides additional instruction on the correct use of the <https://www.oecd.org/tax/country-by-country-reporting-xml-schema-user-guide-for-tax-administrations-and-taxpayers.pdf>

Until IGOR CbCR roll out is completed, a visual guide to the information that shall be reported in the Schema is duplicated below in tables 1-3, inclusive. Instructions on the correct use of the terms used within of the Schema and table, and definitions used therein follow.



Table 2; List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction

Name of the MNE group: Fiscal Year concerned:														
Tax jurisdiction	Constituent Entities Resident in the Tax Jurisdiction	Tax Jurisdiction of Organization or Incorporation if Different from Tax Jurisdiction of residence	Main Business Activity(ies)											
			Research & Development	Holding or Managing f Intellectual Property	Purchasing or Procurement	Manufacturing or Productions	Sales, Marketing or Distribution	Administrative, Management or Support Services	Provision of Services to Unrelated Parties	Internal Group Finance	Regulated Financial Services	Insurance	Holding Shares or Other Equity Instruments	Dormant

Table 3; Additional Information

Name of the MNE group: Fiscal year concerned:
Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in the Country- by- Country Report

## Country by Country Reporting- Instructions

*Table 1: Definitions (for the purposes of the template CbC Report directly above)*

### *Reporting MNE*

A Reporting MNE is the ultimate parent entity of an MNE group.

### *Constituent Entity*

For purposes of completing tables 1 to 3 above, a Constituent Entity of the MNE group is (i) any separate business unit of an MNE group that is included in the Consolidated Financial Statements of the MNE group for financial reporting purposes, or would be so included if equity interests in such business unit of the MNE group were traded on a public securities exchange; (ii) any such business unit that is excluded from the MNE group's Consolidated Financial Statements solely on size or materiality grounds; and (iii) any permanent establishment of any separate business unit of the MNE group included in (i) or (ii) above provided the business unit prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting, or internal management control purposes.

### *Treatment of Branches and Permanent Establishments*

The permanent establishment data should be reported by reference to the tax jurisdiction in which it is situated and not by reference to the tax jurisdiction of residence of the business unit of which the permanent establishment is a part. Residence tax jurisdiction reporting for the business unit of which the permanent establishment is a part should exclude financial data related to the permanent establishment.

### *Consolidated Financial Statements*

The Consolidated Financial Statements are the financial statements of an MNE group in which the assets, liabilities, income, expenses and cash flows of the ultimate parent entity and the Constituent Entities are presented as those of a single economic entity.

### *Period covered by the annual template*

The template should cover the fiscal year of the Reporting MNE. For Constituent Entities, at the discretion of the Reporting MNE, the template should reflect on a consistent basis either (i) information for the fiscal year of the relevant Constituent Entities ending on the same date as the fiscal year of the Reporting MNE, or ending within the 12 month period preceding such date, or (ii) information for all the relevant Constituent Entities reported for the fiscal year of the Reporting MNE.

### *Source of data*

The Reporting MNE should consistently use the same sources of data from year to year in completing the template. The Reporting MNE may choose to use data from its consolidation reporting packages, from separate entity statutory financial statements, regulatory financial statements, or internal management accounts. It is not necessary to reconcile the revenue, profit and tax reporting in the template to the consolidated financial statements. If statutory financial statements are used as the basis for reporting, all amounts should be translated to the stated functional currency of the Reporting MNE at the average exchange rate for the year stated in the Additional Information section of the template. Adjustments need not be made, however, for differences in accounting principles applied from tax jurisdiction to tax jurisdiction.

The Reporting MNE should provide a brief description of the sources of data used in preparing the template in the Additional Information section of the template. If a change is made in the source of data used from year to year, the Reporting MNE should explain the reasons for the change and its consequences in the Additional Information section of the template.

### *Table 1: Specific Instructions*

#### *Tax Jurisdiction*

In the first column of the template, the Reporting MNE should list all of the tax jurisdictions in which Constituent Entities of the MNE group are resident for tax purposes. A tax jurisdiction is defined as a State as well as a non-State jurisdiction which has fiscal autonomy. A separate line should be included for all Constituent Entities in the MNE group deemed by the Reporting MNE not to be resident in any tax jurisdiction for tax purposes. Where a Constituent Entity is resident in more than one tax jurisdiction, the applicable tax treaty tie breaker should be applied to determine the tax jurisdiction of residence. Where no applicable tax treaty exists, the Constituent Entity should be reported in the tax jurisdiction of the Constituent Entity's place of effective management. The place of effective management should be determined in accordance with the provisions of Article 4 of the OECD Model Tax Convention and its accompanying Commentary.

#### *Revenues*

In the three columns of the template under the heading Revenues, the Reporting MNE should report the following information: (i) the sum of revenues of all the Constituent Entities of the MNE group in the relevant tax jurisdiction generated from transactions with associated enterprises; (ii) the sum of revenues of all the Constituent Entities of the MNE group in the relevant tax jurisdiction generated from transactions with independent parties; and (iii) the total of (i) and (ii). Revenues should include revenues from sales of inventory and properties, services, royalties, interest, premiums and any other amounts. Revenues should exclude payments received from other Constituent Entities that are treated as dividends in the payer's tax jurisdiction.

#### *Profit (Loss) before Income Tax*

In the fifth column of the template, the Reporting MNE should report the sum of the profit (loss) before income tax for all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. The profit (loss) before income tax should include all extraordinary income and expense items.

#### *Income Tax Paid (on Cash Basis)*

In the sixth column of the template, the Reporting MNE should report the total amount of income tax actually paid during the relevant fiscal year by all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. Taxes paid should include cash taxes paid by the Constituent Entity to the residence tax jurisdiction and to all other tax jurisdictions. Taxes paid should include withholding taxes paid by other entities (associated enterprises and independent enterprises) with respect to payments to the Constituent Entity. Thus, if company A resident in tax jurisdiction A earns interest in tax jurisdiction B, the tax withheld in tax jurisdiction B should be reported by company A.

#### *Income Tax Accrued (Current Year)*

In the seventh column of the template, the Reporting MNE should report the sum of the accrued current tax expense recorded on taxable profits or losses of the year of reporting of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. The current tax expense should reflect only operations in the current year and should not include deferred taxes or provisions for uncertain tax liabilities.

### *Stated Capital*

In the eighth column of the template, the Reporting MNE should report the sum of the stated capital of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. With regard to permanent establishments, the stated capital should be reported by the legal entity of which it is a permanent establishment unless there is a defined capital requirement in the permanent establishment tax jurisdiction for regulatory purposes.

### *Accumulated Earnings*

In the ninth column of the template, the Reporting MNE should report the sum of the total accumulated earnings of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction as of the end of the year. With regard to permanent establishments, accumulated earnings should be reported by the legal entity of which it is a permanent establishment.

### *Number of Employees*

In the tenth column of the template, the Reporting MNE should report the total number of employees on a full-time equivalent (FTE) basis of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. The number of employees may be reported as of the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied across tax jurisdictions and from year to year. For this purpose, independent contractors participating in the ordinary operating activities of the Constituent Entity may be reported as employees. Reasonable rounding or approximation of the number of employees is permissible, providing that such rounding or approximation does not materially distort the relative distribution of employees across the various tax jurisdictions. Consistent approaches should be applied from year to year and across entities.

### *Tangible Assets other than Cash and Cash Equivalents*

In the eleventh column of the template, the Reporting MNE should report the sum of the net book values of tangible assets of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. With regard to permanent establishments, assets should be reported by reference to the tax jurisdiction in which the permanent establishment is situated. Tangible assets for this purpose do not include cash or cash equivalents, intangibles, or financial assets

## *Table 2: List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction*

### *Constituent Entities Resident in the Tax Jurisdiction*

The Reporting MNE should list, on a tax jurisdiction-by-tax jurisdiction basis and by legal entity name, all the Constituent Entities of the MNE group which are resident for tax purposes in the relevant tax jurisdiction. As stated above with regard to permanent establishments, however, the permanent establishment should be listed by reference to the tax jurisdiction in which it is situated. The legal entity of which it is a permanent establishment should be noted (e.g. XYZ Corp – Tax Jurisdiction A PE).

### *Tax Jurisdiction of Organisation or Incorporation if Different from Tax Jurisdiction of Residence*

The Reporting MNE should report the name of the tax jurisdiction under whose laws the Constituent Entity of the MNE is organised or incorporated if it is different from the tax jurisdiction of residence.

*Main Business Activity(ies)*

The Reporting MNE should determine the nature of the main business activity(ies) carried out by the Constituent Entity in the relevant tax jurisdiction, by ticking one or more of the appropriate boxes.

Business Activities
Research and Development
Holding or Managing Intellectual Property
Purchasing or Procurement
Manufacturing or Productions
Sales, Marketing or Distribution
Administrative, Management or Support Services
Provision of Services to Unrelated Parties
Internal Group Finance
Regulated Financial Services
Insurance
Holding shares or Other Equity Instruments
Dormant
Other <sup>1</sup>

1. Please specify the nature of the activity of the Constituent Entity in the Additional Information" Section