

OECD releases Country-by-Country reporting XML Schema and related User Guide

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Executive summary

On 22 March 2016, the Organisation for Economic Co-operation and Development (OECD) released the standardized electronic format for the exchange of base erosion and profit shifting (BEPS) Country-by-Country (CbC) reports. The released material encompasses the CbC XML Schema¹ and a User Guide.² The XML (extensible markup language) Schema is a commonly used data structure for electronically holding and transmitting information. The User Guide explains the information required to be included in the CbC XML Schema. With this material, the OECD aims to facilitate a swift and uniform implementation of CbC reports. While the CBC XML Schema has been primarily designed for use by tax authorities, the CbC XML Schema can also be relied upon by taxpayers for transmitting the CbC report to their tax authorities, provided the use of the Schema is mandated domestically.

Detailed discussion

Background

As part of the OECD/G20 BEPS project, and their efforts to increase transparency and facilitate a consistent implementation of the final reports, the OECD released further guidance relating to Action 13 (*Transfer Pricing Documentation and Country-by-Country Reporting*).³ Among the

recommendations under this action item, a CbC reporting requirement was introduced that seeks to collect information relating to the global allocation of the income, the taxes, and certain indicators of the location of economic activity among tax jurisdictions in which a Multinational Enterprise (MNE) group operates. Annex IV to Chapter V of the aforesaid report announced that the next step in relation to CbC reporting was to develop an XML Schema and related User Guide to accommodate the electronic exchange of CbC reports.

The CbC reports will be automatically exchanged between countries that have introduced or intend to introduce CbC reporting and have an exchange of information instrument in place. Earlier this year, a *Multilateral Competent Authority Agreement* (MCAA) on the Exchange of CbC reports was prepared and opened for signatures of interested parties;⁴ to date it has been signed by 32 countries.⁵ Section 3(4) of the MCAA provides that Competent Authorities will automatically exchange the CbC reports through a common schema in XML.

In light of the above, the OECD released an XML Schema and a related User Guide. The XML Schema was primarily designed for the automatic exchange of CbC reports, however, it can also be used by taxpayers to transmit information to local tax authorities if the Schema is adopted and mandated domestically. The User Guide explains the information required to populate the CbC template through the XML schema as well as to how to send corrections for previously sent information.

The CbC XML Schema and User Guide

The XML Schema is a commonly used data structure for electronically holding and transmitting information. The Schema defines what elements and attributes certain information should have, specifying the size of such information and whether it is a validation, optional (mandatory) or an optional element. The User Guide explains the information required to be included in the CbC XML Schema.

The CbC XML Schema is divided in three sections that contain the following:

- A message Header encompassing the Competent Authority sending the message, the recipient Competent Authority, the message type (i.e. whether it is the original CbC report, a correction or supplementary information), and the reporting period.
- The identifying information to be provided for each Constituent Entity, including the Reporting Entity.

- The CbC body containing the reportable information on the Reporting Entity and each Constituent Entity (table 1), a summary of the activities of the MNE Group (table 2), and additional information (table 3) as set out in the CbC reporting template in Annex III of the BEPS Action 13 final report. The Guide clarifies that the additional information element allows including any further brief information and explanation that is necessary or would facilitate the understanding of the compulsory information. Though this latter element is limited to 4000 characters, it can be repeated as many times as required. The User Guide also clarifies that it is possible for each additional information element (in table 3) to indicate that it relates to one or more jurisdictions, or one or more particular elements of table 1.

The OECD clarifies that the Schema has been primarily designed to be used for the automatic exchange of CbC reports between competent authorities and thus facilitate a swift and uniform implementation of CbC reports. Nonetheless, the Schema can also be used by reporting entities for transmitting CbC reports to their tax authorities, if it is mandated domestically.

Besides explaining each of the elements to be reported in the CbC template, the User Guide also addresses corrections, deletions and additions to data already provided. In this regard, the User Guide differentiates between errors discovered prior to the filing of the CbC report from those discovered after. For the former, no corrections need to be undertaken since the CbC report can be amended. For the latter, however, the Guide explains that the XML is split into a number of correctable types that allow users to correct specific parts of the CbC reports.

In accordance with the final report on Action 13, the language in which the CbC Report is to be submitted is determined by the local law of the sending jurisdiction. The User Guide mentions that with a view to allowing the most widespread use of the information contained in the CbC report, the use of the English language is preferred, if permissible under such local law.

Implications

The final report on Action 13 recommends that the first CbC reports be required to be prepared for MNE fiscal years beginning on or after 1 January 2016, filed 12 months after the close of the relevant MNE fiscal year, and exchanged as soon as possible but no later than 18 months after the

last day of the relevant MNE fiscal year. In light of this, governments will need to decide on whether to introduce the CbC XML Schema for domestic purposes, in which case, governments will need to adapt their systems to the CbC XML Schema before the first exchange takes place in order to exchange and receive CbC reports.

For MNEs, the use of the XML Schema for domestic purposes implies they will have to adjust their IT systems accordingly. MNEs will therefore have to monitor the implementation in

domestic law in their reporting jurisdiction(s). Furthermore, the User Guide contains some guidance on the content of the CbC report, such as the language to be used and the possibility to provide additional information split by jurisdiction or by data point. MNEs can take this into consideration when preparing for the filing of the CbC Report.

Endnotes

1. <http://www.oecd.org/tax/cbc-xml-schema-v1.0.zip>. **Please note** that the link to the XML schema requires an XSD reader to open the respective files.
2. <http://www.oecd.org/tax/country-by-country-reporting-xml-schema-user-guide-for-tax-administrations-and-taxpayers.pdf>.
3. See EY Global Tax Alert, *OECD releases final report on transfer pricing documentation and Country-by-Country reporting under Action 13*, dated 21 October 2015.
4. See EY Global Tax Alert, *Thirty-one countries sign tax cooperation agreement enabling automatic sharing of country-by-country reporting information*, dated 28 January 2016.
5. Australia, Austria, Belgium, Chile, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, the Netherlands, Nigeria, Norway, Poland, Portugal, Senegal, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland and the UK.

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