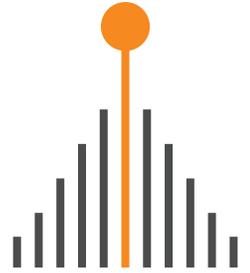


BEPS in the Spotlight

BEPS ACTION ITEM 13:

Using Technology to Simplify Compliance



THE CONTENTS OF THE MASTER FILE

Any company with revenues over €750 million (or equivalent local currency) should prepare a master file with content to include:

- **Organizational structure**
 - Org chart
- **Description of MNE business**
 - Profit drivers
 - Supply chain
 - Functional analysis
- **Intangibles**
 - Description and ownership
- **Intercompany financing activities**
 - Description of financing arrangements
 - Identification of central financing entities
- **Financial and tax positions**
 - Accounts, tax agreements and rulings

BEST PRACTICES IN FILING PREPARATION

- **Identify filing jurisdictions**
- **Determine filing dates**
- **Determine filing mechanisms**
- **Determine locally specific content requirements**

BEPS Action Item 13 aims to improve transparency for tax authorities, advocating a three-pronged approach to transfer pricing documentation including master file, local file and country-by-country reporting (CbCR). Since its finalization in October 2015, this action item has had a significant adoption rate, with more than 40 countries incorporating these guidelines into local law.

The post-BEPS era has introduced heightened demands on taxpayers, resulting in transfer pricing documentation that seems exponentially more complex to produce.

Fortunately, compliance can be simplified with the effective use of technology. Using technology, the three-pronged approach to transfer pricing documentation results in a consistent transfer pricing story for tax authorities that includes key elements such as supply chain, which legal entities perform key functions, which legal entities own the key intangible assets, and intercompany financing activities.

When taxpayers evaluate technology, the following issues should be kept in mind.

1. Filing Requirements

Filing requirements can be variable across jurisdictions. Software must assist in managing CbC notifications and filing, as well as requirements and deadlines for master files and local files.

Electronic filing is becoming increasingly necessary. The technology solution you choose must be able to produce OECD XML schema, as well as other local country schemas, and submit it to the respective tax authorities.

With the recent release of the IRS-specific XML schema related to Form 8975 for CbCR filing, an ideal software solution should be able to populate the schema based on the information provided in the software tool and file it directly to the tax authority. Generally, it's important that software accommodate various local country schemas for CbCR, as there may be local filing required if the ultimate parent jurisdiction does not exchange with all constituent entity jurisdictions.

To maximize compliance, technology must support you as you consider your global footprint, including where you need to file, the contents of what you must file and the deadline to file it.

2. Workflow

Throughout the compliance process, multiple departments and individuals will own and update key data. As such, the volume of documentation is daunting to say the least. Different people will also write, review and strategize when it comes to documentation, so your software solution must accommodate many users accessing a single tool at once.

Your software solution must also assist in centralizing processes that may have previously been decentralized (such as requesting data, compiling documentation, etc.), as well as send out data requests and store completed information.

When it comes to intercompany contracts, the content requirements of the master file include a summary of important transactions and a brief description, while the local file requires provision of relevant intercompany contracts. In many companies, intercompany contracts are decentralized, so it's hard to take stock of all of them. Centralizing the intercompany contract generation and storage process is a significant undertaking, but it's necessary in a post-BEPS world. A software tool that enables this kind of centralization is key.

The latest software responds to data inputs by automatically allocating tax structures and jurisdictional rules while providing quality control and override mechanisms to ensure report development is precise.

WHAT TO LOOK FOR IN A BEPS SOFTWARE SOLUTION

- **Creates a sustainable, repeatable data collection process**
- **Enables global consistency and transparency of data**
- **Documents and reports results to tax authorities**
- **Keeps you up to date on new regulation**
- **Reduces the reporting burden**
- **Increases collaboration across departments and geographies**

3. Information Sharing

Centralization of information is clearly necessary for BEPS compliance. Your software should act as a central repository for key information, such as financial statements, local documentation, tax rulings, APAs and intercompany agreements.

Remember that your filings should not be completed in a vacuum. It is critical that the content in your master files, local files and CbCR be consistent with other tax and public filings. Centralized information sharing is crucial.

4. Process Automation

Given the sheer volume of work required in master file, local file and CbCR, it's important to maximize internal resources by automating manual processes. The latest advancements in technology can reduce reliance on spreadsheets, save significant time, increase accuracy and maintain data traceability.

With integrated, up-to-date global BEPS research and content including local legislative rules, timings and data requirements for CbCR, master file and local file requirements, a comprehensive software solution can automate routine processes related to BEPS compliance. Further, with transparent entity and financial data mapping features, data points are traceable back to the source documents.

The latest advancements in technology help multinational tax departments to predict risk areas, support value creation and validate all three tiers of BEPS-related reporting. This type of insight ensures worldwide compliance and multidisciplinary collaboration for global enterprises in a post-BEPS era.

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