These notes refer to the Finance Act 2015 (c.11)
which received Royal Assent on 26 March 2015

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 122: Country-by-Country Reporting

Summary

1. This section gives HM Treasury a power to make regulations to introduce country-by-country reporting. It means that HM Treasury will be able in the future to implement recommendations made by the Organisation for Economic Co-operation and Development (OECD) on country-by-country reporting and require UK-based multinational enterprises to report for each tax jurisdiction in which they have a presence how their revenue, profit and taxes are allocated, as well as other indicators of economic activity.

Details of the Section

2. Subsection (1) introduces a power to make regulations to implement country-by-country reporting.

3. Subsection (2) defines country-by-country reporting by reference to guidance published by the OECD.

4. Subsection (3) provides that the Treasury may modify the way in which the country-by-country reporting requirement is implemented.

5. Subsection (4) and subsection (6) set out particular matters which may be dealt with by regulations, including who will be required to make the report, the timing and form of the report, and penalties for failing to comply with the regulations.

6. Subsection (5) enables the regulations to allow certain requirements, obligations or other provisions within subsection (4) to be made by directions given by the Commissioners of HM Revenue & Customs.

7. Subsection (8) provides that the regulations will be made by statutory instrument. The regulations will be subject to negative procedure.

Background Note

8. The OECD developed a country-by-country reporting template and accompanying guidance as part the strand of work in the OECD/G20 Base Erosion and Profit Shifting (BEPS) project intended to strengthen international standards on tax transparency. The reporting template requires multinational enterprises to show for each tax jurisdiction in which they do business:

    - the amount of revenue, profit before income tax and income tax paid and accrued; and

    - their total employment, capital, retained earnings and tangible assets.

9. Multinational enterprises will also be required to identify each entity within the group doing business in a particular tax jurisdiction and to provide an indication of business activities within a selection of broad areas which each entity engages in.

10. The country-by-country report is intended to be a risk-assessing tool to help tax administrations assess whether multinational groups may have engaged in transfer pricing or other practices in order to artificially reduce their taxable profit or shift their income into jurisdictions where they will pay less tax. The government announced on 20 September 2014 that it is committed to implementing country-by-country reporting in the UK.

11. Regulations will be made at a later date after the OECD has completed further work on implementation issues, including how the reports will be filed and how countries will exchange the information contained in the reports.