



Common errors made by MNE groups in preparing Country-by-Country reports

Country-by-Country (CbC) reports contain valuable information on the global allocation of the income, taxes paid and the location of economic activity among tax jurisdictions in which an MNE group operates, for use in a high level transfer pricing risk assessment, assessment of other BEPS-related risks, and economic and statistical analysis, if appropriate. However, this information can only be used effectively for these purposes if the data contained in CbC reports prepared by MNE groups is robust and accurate.

Tax administrations have encountered a number of concerns with the data in CbC reports filed to date, and the most common of these are described in the tables below. MNE groups within the scope of CbC reporting should review these descriptions and ensure that these errors are not repeated in CbC reports they are preparing. This is arguably particularly important with respect to errors concerning missing Tax Identification Numbers or the inclusion of incorrect Tax Identification Numbers in Table 2, as this can lead to specific difficulty for a tax administration using the data in a CbC report effectively.

In order to reduce risk of the below errors occurring, tax administrations are encouraged to share this document with taxpayers and advisers, to ensure they are aware that CbC reports prepared including these errors are incorrect and must be amended.

Tax administrations have introduced different processes to identify errors that do occur in filed CbC reports, including:

- automated validations undertaken at the point a CbC report is filed using the CbC reporting XML schema format, which prevent an MNE group from filing a CbC report containing certain errors (including Tax Identification Numbers in an invalid format, duplicated Tax Identification Numbers and excessive or inappropriate use of "NOTIN");
- automated or manual validations undertaken after a CbC report is filed but before it is exchanged; and
- automated or manual validations undertaken by a receiving jurisdiction after a CbC report is exchanged.

Where a tax administration identifies that a CbC report filed with it contains errors (including but not limited to those described below), whether this arises from validations undertaken by itself or where it is informed of these errors by a jurisdiction that received the CbC report on exchange, it should require these errors to be corrected by the Reporting MNE.

Reported error	Correct treatment	Basis for correct treatment
NOTIN is reported in Table 2 for Constituent Entities in jurisdictions where a Tax Identification Number is required	Tax Identification Number information is required in the CbCR XML schema. NOTIN should only be entered in cases where a Constituent Entity has not been issued a Tax Identification Number by the tax administration in its jurisdiction of residence or operation.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 12.
The Tax Identification Number field is blank or includes only spaces or punctuation	Tax Identification Number information is required in the CbCR XML schema. In no circumstances should this field be left blank or completed using spaces or punctuation such that it appears to be blank.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 12.
The same Tax Identification Number is repeated for multiple Constituent Entities	The CbCR XML schema should include the specific Tax Identification Number for each Constituent Entity, or NOTIN where no such number has been issued. Tax Identification Numbers should not be repeated, except where the same number is issued to more than one Constituent Entity by the jurisdiction of tax residence.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 12.
Multiple currencies are used in Table 1	An MNE group's CbC report should be completed in the functional currency of the Ultimate Parent Entity. Information on all Constituent Entities must be converted into this currency when completing the CbC report. A CbC report should never contain information in more than one currency.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , page 32; Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 24.
Shortened numbers are included in Table 1	Full numbers must be used in completing Table 1, without decimals. The use of shortened numbers (for example, by deleting the final three or final six digits, as may be done in completing consolidated final statements in thousands or millions of currency units) is not permitted.	Guidance on the Implementation of CbC Reporting , Part II, Question 8.1.
Excessive rounding of amounts in Table 1	Other than with respect to the number of employees, the rounding of amounts in Table 1 is not specifically provided for in the BEPS Action 13 report. Jurisdictions may permit reasonable rounding of amounts, so long as this is not distortive.	Guidance on the Implementation of CbC Reporting , Part II, Question 8.2.

Lengthened numbers are included in Table 1	Full numbers must be used in completing Table 1, without decimals. Some MNE groups have prepared CbC reports including data in Table 1 that included fractions of a currency unit (i.e. those occurring after a decimal point). This is not permitted and can have the effect of multiplying every financial figure by a factor of 100 if the decimal point is subsequently deleted (e.g. upon conversion of the CbC report into XML).	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, pages 33-35.
Amounts appear to have been included in the wrong column	There have been cases where the amounts included in columns in Table 1 appear to have been transposed. For example, if an MNE group reports that it has millions of employees in one or more jurisdictions, but only has tangible fixed assets in the hundreds or thousands of currency units in these jurisdictions.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, pages 33-35.
Total Revenues is either higher or lower than the total of Unrelated Party Revenues and Related Party Revenues	Table 1 includes three columns containing information on an MNE group's aggregated revenues in a jurisdiction: Unrelated Party Revenues, Related Party Revenues and Total Revenues. Total Revenues should always equal the sum of Unrelated Party Revenues and Related Party Revenues.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, pages 33-35.
Dividends from Constituent Entities are included in Profit (Loss) Before Tax in jurisdictions where this is not permitted	Interpretative guidance makes clear that Profit (Loss) Before Tax does not include dividends from Constituent Entities.	Guidance on the Implementation of CbC Reporting , Part II, Question 7.1.
Information on sources of data is not included, where this is required	Interpretative guidance makes clear the information that must be included in Table 3 with respect to the sources of data used.	Guidance on the Implementation of CbC Reporting , Part IV, Question 4.1.
Incorrect jurisdiction codes are used	All jurisdictions included in an MNE group's CbC report should be identified using a standard two-digit ISO code. Alternative ways of identifying jurisdictions should not be used.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 12.

Different jurisdictions are listed in Table 1 and Table 2	The same tax residence jurisdictions should be included in Table 1 and in Table 2. MNE groups have submitted CbC reports which include residence jurisdictions in Table 1 that are not included in Table 2, or vice versa. This should never be the case.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, pages 33-35.
Non-consolidated Constituent Entities left out of Table 1 and/or Table 2	An MNE group's Constituent Entities include, among others, separate business units that are not included in its consolidated financial statements on size or materiality grounds, as well as permanent establishments of Constituent Entities for which separate financial statements are prepared for financial reporting, regulatory, tax reporting, or internal management control purposes. CbC reports have been filed that do not include these “non-consolidated” Constituent Entities, which is not permitted.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – General Instructions, pages 31-32.
Consolidated Constituent Entities are left out of Table 2	An MNE group 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. CbC reports have been filed that do not include some consolidated Constituent Entities in Table 2, which is not permitted.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, page 35.
Main business activity information in Table 2 is incorrect.	An MNE group should determine the nature of the main business activity(ies) carried out by each Constituent Entity and include this information in Table 2. MNE groups have submitted CbC reports which include incorrect main business activities. This should never be the case.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, page 35.
The main business activity of “Other” is not specified	Where an MNE group specifies in Table 2 that a Constituent Entity's main business activity is “Other”, further information as to the nature of the activity of the Constituent Entity is to be provided in Table 3 (the Other Entity Info element in the XML schema). In no circumstances should this field be left blank or completed using spaces or punctuation such that it appears to be blank.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – Specific Instructions, page 35; Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 21.

Permanent establishments are incorrectly named in Table 2	A Constituent Entity that is a permanent establishment should be listed in Table 2 by reference to the tax jurisdiction in which it is situated and the legal entity of which it is a permanent establishment, as well as the tax jurisdiction of residence of that legal entity. For example, if an MNE group includes a Constituent Entity, XYZ Corp, which is resident in Tax Jurisdiction A and has a permanent establishment in Tax Jurisdiction B, the permanent establishment should be named "XYZ Corp – Tax Jurisdiction A PE". MNE groups have submitted CbC reports which do not follow this naming convention for permanent establishments. This should never be the case.	Guidance on the Implementation of CbC Reporting , Part III, Question 7.1.
Incorrect reporting year date is included	The ReportingPeriod data element identifies the last day of the reporting period (i.e. the fiscal year of the MNE Group) to which the message relates in YYYY-MM-DD format. CbC reports have been filed that include an incorrect end date (for example, the date the CbC report is filed), which is not permitted.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , page 11.
Information on the exchange rate used is not included	If statutory financial statements are used as the source of data for including any amounts in of a CbC report, all such amounts should be translated to the stated functional currency of the MNE group at the average exchange rate for the year and this exchange rate should be stated in Table 3 of the report. CbC reports have been filed that do not include information regarding the exchange rates used in the preparation of the report, which is not permitted.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , Template for the CbC Report – General Instructions, page 32.
Subgroup of a larger MNE group files a CbC report with information solely relating to the subgroup	A CbC report should be prepared and filed for an MNE group comprising the Ultimate Parent Entity and all Constituent Entities. An entity cannot be the Ultimate Parent Entity of an MNE group if it is also included as a Constituent Entity in the CbC report of another MNE group. CbC reports have been prepared and filed by the holding companies of subgroups of MNE groups, containing information on the activities of the subgroup, which is not permitted. A CbC report should be prepared with respect to an entire MNE group only.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , page 16.

Income tax paid incorrectly reflected as a negative figure	Where Constituent Entities in a jurisdiction make a net payment of tax, this should be included in Table 1 as a positive amount under Income Tax Paid. CbC reports have been filed that reflect a net payment of tax as a negative figure, which is not permitted.	Guidance on the Implementation of CbC Reporting , Part II, Question 6.2.
Income tax accrued incorrectly reflected as negative figure	Where under the applicable accounting standard, Constituent Entities in a jurisdiction have a net accrued current tax expense, this should be included in Table 1 as a positive amount under Income Tax Accrued. CbC reports have been filed that reflect a net accrued current tax expense as a negative figure, which is not permitted.	Guidance on the Implementation of CbC Reporting , Part II, Question 6.2.
Two CbC reports are filed by the same MNE group for the same reporting period without any indication as to which report contains updated data	In cases where a CbC report is filed using the XML Schema format, where an MNE group files a second CbC report for a reporting period containing corrected data, the MessageTypeIndic element of the XML Schema should contain code CBC402 in order to distinguish it from the MNE group's original CbC report which should have included code CBC401. In addition, the DocTypeIndic element of the second CbC report should contain the code OECD2 or OECD3 and the CbC report should have a unique MessageRefID element. To date, two or more CbC reports have been filed by the same MNE group for the same reporting period that included the same MessageRefID, the same MessageTypeIndic and the same DocTypeIndic, which is not permitted.	Country-by-Country Reporting XML Schema: User Guide for Tax Administrations , pages 10-11, and 25-26.

CbC reports are filed including data on only one tax jurisdiction	<p>Where all Constituent Entities of a Group are resident in the same tax jurisdiction and do not have any permanent establishments in other tax jurisdictions, the Group is not an MNE group and is not required to file a CbC report.</p> <p>Where a Group includes Constituent Entities resident in different tax jurisdictions, or resident in one tax jurisdiction with a permanent establishment in another tax jurisdiction, the Group is an MNE group and should file a CbC report including data on all of its Constituent Entities in all tax jurisdictions (unless it has consolidated group revenues below the applicable threshold in the immediately preceding reporting period).</p> <p>There are no cases where a CbC report should be filed including data on only one tax jurisdiction.</p>	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , page 39.
CbC reports are filed for reporting periods of over 12 months, which does not correspond to the MNE group's Fiscal Year	A CbC report should be prepared and filed for each period for which the Ultimate Parent Entity of an MNE group prepares its financial statements. There have been cases where a long accounting period (i.e. an accounting period of over 12 months) of an MNE group has been split into a 12 month period and a short period for the purposes of preparing financial statements, but a single CbC report has been prepared and filed covering the entire long accounting period. This is not permitted.	Guidance on the Implementation of CbC Reporting , Part IV, Question 3.3.
Total Revenues (Unrelated Party) is lower than the applicable threshold	Revenues (Unrelated Party) in Table 1 of a CbC report should include all of an MNE group's aggregated revenues, gains, income and other inflows reflected in its consolidated income statement under the applicable accounting standard, including extraordinary income and gains from investment activities. The only circumstance where the total of all Revenues (Unrelated Party) could be lower than the applicable threshold is where an MNE group had consolidated group revenues above the threshold in the preceding accounting period but not in the period covered by the CbC report. Any exclusion of amounts from Revenues (Unrelated Party) other than in accordance with published guidance is not permitted.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , page 33.

Amounts in Table 1 are duplicated from the CbC report for the preceding reporting period	A CbC report must be prepared using information from the permitted sources of data for the reporting period covered by the report. CbC reports have been filed where most or all of the data in Table 1 appears to be a duplication of the data provided in the CbC report for the preceding period. Unless the data for both periods is the same, this is not permitted.	Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report , page 32.
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Errors concerning the use of invalid or prohibited characters in the CbC reporting XML schema

Further common errors which relate to the XML Schema format of CbC reports are set out below.

In order to be exchanged, CbC reports must be in the correct XML schema format. This XML schema format does not permit the use of certain invalid characters (&, <, >, ' , or "), which must be replaced with predefined specified characters (e.g. replace "&" with "&";). MNE groups have filed or attempted to file CbC reports that include these invalid characters, or incorrect versions of the predefined specified characters. In order to prevent validation errors, MNE groups should be encouraged to use the correct specified characters below.

Invalid character	Description	Replace with specified character
&	Ampersand	&
<	Less Than	<
>	Greater Than	>
'	Apostrophe	'
"	Quotation Mark	"

In addition, certain characters cannot be used in the XML Schema and no specified replacement character exists. MNE groups have filed or attempted to file CbC reports that include these prohibited characters, which is not permitted. In order to prevent validation errors, MNE groups should be encouraged not to use the prohibited characters below.

Prohibited character	Description
--	Double Dash
/*	Slash Asterisk
&#	Ampersand Hash