

PACT ON EXCHANGE OF CbC REPORTS WAS SIGNED IN MARCH

India notifies pact with US to check tax evasion by MNCs

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AIMED AT providing relief to subsidiaries of US multinationals and ensuring a check on cross-border tax evasion, India has notified the inter-governmental agreement with the United States for exchange of country-by-country (CbC) reports filed by multinational enterprises (MNEs) regarding income allocation and payment of taxes. This follows the two nations signing a pact in March for sharing the CbC reports by the ultimate parent corporations based in either of the countries.

As per the agreement, it is intended to provide relevant and reliable information to perform an efficient and robust transfer pricing risk assessment analysis.

The agreement was signed by Central Board of Direct Taxes (CBDT) Chairman PC Mody and US Ambassador to India Kenneth Juster in March, and was notified by the Revenue Department on April 25. This agreement for exchange of CbC reports, along with the Bilateral Competent Authority Arrangement, will enable both the countries to automatically exchange CbC reports

EXPLAINED

E. Exchanging CbC reports to provide reliable information

FILING OF country-by-country (CbC) reports by the ultimate parent entity of a multinational group in its resident jurisdiction and exchange of such CbC reports with the authorities of other jurisdictions, in which the group has one or more of its constituent entities, are the minimum standards required under the Action 13 Report of OECD/G20 BEPS Project.

The signing of the pact with US to exchange CbC reports is a step in this direction, which will provide reliable information, ensure strong risk assessment analysis and help keep a check on tax evasion.

filed by the ultimate parent entities of MNEs in the respective jurisdictions, pertaining to the years commencing on or after January 1, 2016.

It will also obviate the need for Indian subsidiary companies of US multinationals to do local filing of CbC reports, thereby reducing the compliance burden.

A CbC report aggregates country-by-country information relating to the global allocation of income, taxes paid, and certain other indicators of an MNC.

It also contains a list of all the group companies operating in a particular jurisdiction and the nature of the main business activity of each such constituent entity. Tax experts said the CBDT had signed the Bilateral Competent Authority Arrangement, along with an underlying Inter-Governmental Agreement, for exchange of CbC reports between India and the US in March.

However, since the notification was required for its activation, the procedural delay meant

that Indian entities were required to do local filing of CbC reports in India, for which the last date was April 30.

Nitin Narang, partner – transfer pricing, Nangia Advisors (Andersen Global), said now, after notification, it would enable both the countries to exchange CbC reports filed by the ultimate parent entities.

“... it would enable both the countries to exchange CbC reports filed by the ultimate parent entities of international groups in USA, pertaining to the financial years commencing on or after January 1, 2016. As a result, the Indian entities would not be required to do local filing of the CbC Reports in India,” he added.

India has already signed the Multilateral Competent Authority Agreement (MCAA) for Exchange of CbC reports, which has enabled exchange of CbC reports with 62 jurisdictions. MNEs having global consolidated revenue of 750 million euro or more (or a local currency equivalent) in a year are required to file CbC reports in their parent entity's jurisdiction. The rupee equivalent of 750 million euro has been prescribed as Rs 5,500 crore in Indian rules.



India, US to check tax evasion by MNCs

New Delhi: India has notified the inter-governmental agreement with the US for exchange of country-by-country (CbC) reports on multinational companies regarding income allocation and taxes paid in order to help check cross-border tax evasion.

The agreement, which was signed by Central Board of Direct Taxes Chairman P C Mody and US ambassador to India Kenneth Juster in March, was notified by the revenue department on April 25. This agreement for exchange of CbC reports, along with the Bilateral Competent Authority Arrangement, will enable both the countries to automatically exchange CbC reports filed by the ultimate parent entities of multinational enterprises (MNEs) in the respective jurisdictions, pertaining to the years commencing on or after January 1, 2016.

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each such constituent entity.

MNEs having global consolidated revenue of 750 million euro or more (or a local currency equivalent) in a year are required to file CbC reports in their parent entity's jurisdiction. The rupee equivalent of 750 million euros has been prescribed as Rs 5,500 crore in Indian rules.

This information will enable an enhanced level of assessment of tax risk by tax administrations of both the countries.

"The notification would enable both the countries to exchange CbC Reports filed by the ultimate parent entities of International Groups in USA, pertaining to the financial years commencing on or after January 1, 2016. As a result, the Indian entities would not be required to do local filing of the CbC Reports in India," Nangia Advisors (Andersen Global) Partner-Transfer Pricing Nitin Narang said. (PTI)