



# KPMG Country-by-Country Risk Analyzer



## Country-by-country reporting

Action 13 of the Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting (BEPS) project aims to enhance transparency for tax administrations by requiring that large multinational enterprises (MNEs) prepare a country-by-country (CbC) report on an annual basis. Qualifying MNEs with consolidated group revenue of at least USD 850 million (EUR 750 million) must disclose detailed information on key financial and organizational metrics—such as revenue, profit before income tax, number of employees, tangible assets, and significant activities performed—for each tax jurisdiction in which they operate. This disclosure requirement applies to most developed countries, as more than 100 jurisdictions have adopted mandatory CbC reporting regulations. In addition, taxing jurisdictions have executed more than 3,000 bilateral exchange agreements related to the automatic exchange of CbC data, ensuring that an MNE’s CbC report will be widely disseminated among global taxing authorities.

To assist tax administrators in their review and analysis of CbC data, the OECD published two handbooks<sup>1</sup> that outlined a broad array of potential risk indicators in CbC reports. The OECD has also developed two assessment tools to assist tax authorities in their review and analysis of CbC data—specifically, the Tax Risk Assessment Questionnaire (TRAQ) and the Tax Risk Evaluation and Assessment Tool (TREAT). As a result, tax administrators now have both a wealth of previously unavailable data to evaluate whether MNEs are engaging in BEPS-related activities and the tools required to assist their efforts.

<sup>1</sup> [Country-by-Country Reporting: Handbook on Effective Implementation](#) and [Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment](#), OECD, published September 2017

**In its CbC handbooks, the OECD specifically identifies 19 BEPS-related risk factors. These factors include the following ratios that, if high relative to the other jurisdictions in the MNE group, may indicate BEPS:**

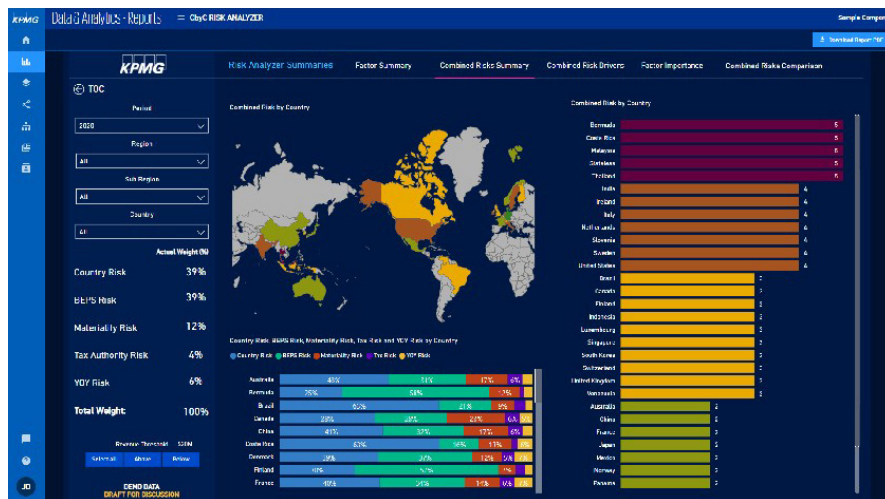
- Related-party revenues/  
total revenues
- Total revenues or profit before tax  
(PBT)/employees
- Total revenues or PBT/  
tangible assets
- Pretax return on equity: PBT/  
(stated capital + accumulated  
earnings)
- Posttax return on equity:  
(PBT – income tax accrued)/(stated  
capital + accumulated earnings)
- Profit margin: PBT/revenues

## How KPMG can help

The KPMG Country-by-Country Risk Analyzer can help MNEs analyze their CbC reporting positions to identify potential risk areas within each taxing jurisdiction. This tool is intended to mimic the type of review, analysis, and tools employed by tax administrators to identify BEPS-related activities within their respective jurisdictions.

The tool analyzes MNEs' CbC reporting positions based on the risk criteria identified by the OECD and other relevant factors, such as materiality risk (e.g., entity size within the observed tax jurisdiction relative to the MNE group) and tax authority risk factors (e.g., aggressiveness of a particular country's tax authority based on KPMG experience and the company's audit history) as well as a number of other useful analytics and visualizations. By pulling together the OECD's 19 risk factors and other relevant information, the Risk Analyzer provides a detailed view into the BEPS-related tax exposure emanating from an MNE's CbC reporting positions as well as an overall risk rating for each country listed on its CbC report.

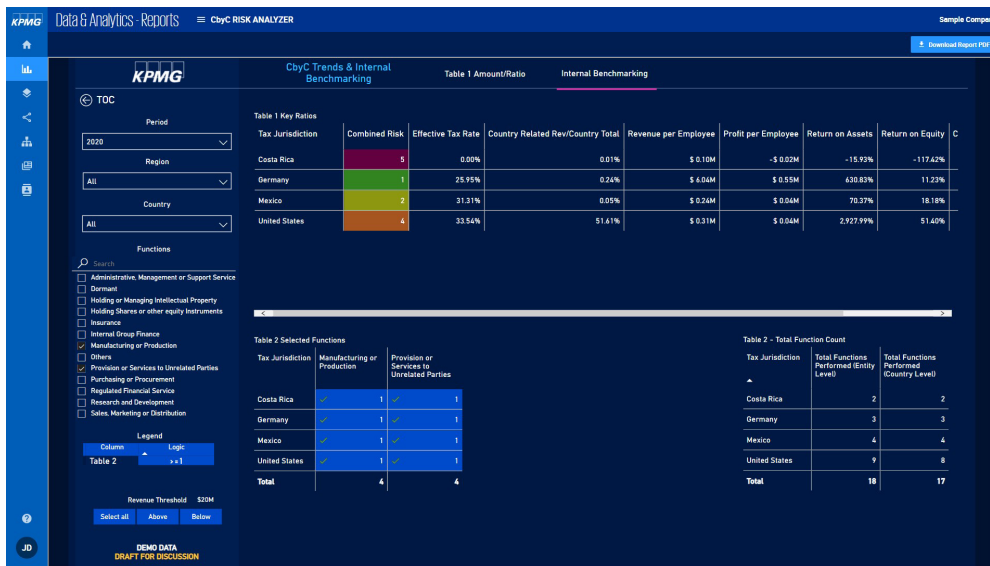
The Risk Analyzer presents its analysis through interactive data visualizations that effectively highlight an MNE's CbC risk to help understand where they might best focus their efforts and resources to manage and address risk. In addition, the tool can analyze up to five years of data, which includes current and future years. This enables KPMG to assist MNEs in their development of current year CbC reports by performing a year-over-year comparison against prior reporting positions while also forecasting opportunities for future years.



Relevant risk factors are incorporated into a single dashboard providing a detailed understanding of an MNE's BEPS-related exposures.



Clients receive a table summarizing the specific risk factors or ratios driving the overall risk assessment for each jurisdiction.



Internal benchmarking allows MNEs to compare specific jurisdictions and functions within their group.

Visuals presented reflect the KPMG Digital Gateway version and may differ from the Power BI Desktop Version.

## Next steps for MNEs in the post-BEPS world

MNEs must prepare themselves for the uncharted territory of increased tax transparency and sweeping global tax reform. Analyzing CbC reporting positions should be the first and most basic step in getting prepared. MNEs armed with information about the risks presented by their CbC reporting positions will be better equipped to determine whether:

- Their global value chains have been properly documented.
- They should consider restructuring to reduce the risk for potential controversy.
- They should consider other proactive risk mitigation measures, such as entering into advance pricing agreements in key jurisdictions.

KPMG offers a range of services to help companies with evaluating and addressing these next steps, including:

- **Tax Controversy & Dispute Resolution Services** assist MNEs in taking practical steps to improve their in-house processes to prepare for the expected surge in tax controversies and to better manage controversies within their organization.
- **Value Chain Management** services use a fully integrated multidisciplinary global network of professionals from KPMG International firms to help businesses identify, assess, and execute business model improvements that, when aligned with strategic tax, trade, and treasury structures, produce competitively advantaged operational and financial efficiencies.
- **KPMG IMPACT Tax** services assist clients through all stages of their tax environmental, social, and governance (ESG) journey. The **KPMG Tax ESG Assessment Tool** can help MNEs benchmark their ESG tax transparency disclosures against global tax ESG criteria, as well as their peers, and provides insights into improvement opportunities. KPMG leverages its benchmarking methodology to assist MNEs in crafting their tax strategies, governance, and controls to help ensure they satisfy key internal stakeholders while protecting commercially sensitive material. In addition, the **KPMG Total Tax Payments Global Reporter** enables MNEs to visualize the impact of mandatory European Union public CbC reporting and then run scenarios that take into account both additional taxes (e.g., VAT, payroll, etc.) as well as various geographic groupings to help identify an optimal target reporting model.

# Contact us

For more information about the KPMG Country-by-Country Risk Analyzer, contact your local KPMG adviser or one of the KPMG Tax professionals below.

## **Sean Foley**

**Principal, Economic & Valuation Services**

**Washington National Tax**

**Santa Clara, California**

sffoley@kpmg.com

## **Mark Martin**

**Principal, Economic & Valuation Services**

**Washington National Tax**

**Houston, Texas**

mrmartin@kpmg.com

## **John DerOhanesian**

**Managing Director, International Tax**

**Washington National Tax**

**Washington, DC**

jderohanesian@kpmg.com

## **Raj Bodapati**

**Managing Director**

**Economic & Valuation Services**

**New York, New York**

rbodapati@kpmg.com

## **Josh McConkey**

**Senior Manager, Tax Controversy & Dispute Resolution**

**Washington National Tax**

**Dallas, Texas**

jmconkey@kpmg.com

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