РОЗДІЛ 6
ЄВРОІНТЕГРАЦІЙНІ ПРОЦЕСИ В ОПОДАТКУВАННІ ТА ФІНАНСОВОМУ МОНІТОРИНГУ

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Kryshtopa Iryna,
DSc (Economics), Professor of the Department
of Tax Management and Financial Monitoring,
Kyiv National Economic University named after Vadym Hetman,
Kyiv, Ukraine

Fedorchenko Olha,
PhD (Economics), Associate Professor of the Department
of Tax Management and Financial Monitoring,
Kyiv National Economic University named after Vadym Hetman,
Kyiv, Ukraine

COUNTRY-BY-COUNTRY REPORTING: INTERNATIONAL APPROACHES TO USE AS INFORMATION SOURCE FOR TAX RISK ASSESSMENT

An important step after the first exchange of country-by-country reports is the creation of institutional support for identification and assessment of tax risks based on the data obtained as a part of the international exchange of information. The above mentioned actualizes the need for conduction a complementary analysis of the OECD model legislation in the context of the mentioned issues in order to determine the ways of harmonizing it with domestic practice.

In September 2017, the OECD published the document "Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment" [1], the main purpose of which is to assist tax authorities in effective use of country-by-country reports. This document contains seven chapters and three appendices.

Chapter 1 "Introduction and Background" covers the history of the development and implementation of country-by-country reports in the practice of the countries of the world. Also, this chapter reveals the purpose of these reports.

Chapter 2 "The Role of Tax Risk Assessment in Tax Administration" outlines the role of tax risk assessment in tax administration and reveals the main characteristics of an effective risk assessment system.

Chapter 3 "Overview of CbC Reporting" is devoted to highlighting the provisions of the OECD document "Guidance on the Implementation of Country-by-Country Reporting", which was developed in 2017 and updated in 2022 [2], and regulates the content of the country-by-country report. The advantages of this reporting over other sources of information and the content of other information disclosure standards by country are also disclosed.

Chapter 4 “Incorporating CbC Reports Into a Tax Authority's Tax Risk Assessment Framework” describes the procedure for including country-by-country reports into the tax risk assessment system.

Chapter 5 “Challenges to the Effective Use of CbC Reports for Tax Risk Assessment” of the document “Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment” discloses typical problems of tax authorities when using country-by-country reports in the process of assessing tax risks, as well as reveals directions for solution of these problems.

Chapter 6 “Using CbC Reports alongside data from other sources” of this OECD document emphasizes the emergence of a number of important problems in terms of the effectiveness of using information of country-by-country reports in the process of assessment of tax risks of groups and deals, in the case of considering these reports separately from other sources of information.

In turn, section 7 “Using the Results of a Tax Risk Assessment Based on CbCR Information” emphasizes that the discussed above risk assessment processes are used to determine the level of the risk that a particular taxpayer or transaction creates for a particular jurisdiction and that can lead to a range of potential outcomes.

Thus, further work on implementation of provisions of the minimum standard of the BEPS Action Plan into Ukrainian legislation should be aimed at harmonizing the key provisions of the OECD document “Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment” with domestic practice, which will allow for the creation of institutional support for identification and assessment of tax risks based on data obtained as part of international information exchange. Particular attention should be paid to peculiarities of organization of this process during the period of martial law. This will contribute to the process of harmonization of the domestic legal framework with the requirements of the OECD and will ensure the effectiveness of work of domestic tax authorities in the context of introduction of country-by-country reports.

References:

1. Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment (2017). URL: https://www.oecd.org/tax/beps/country-by-country-reporting-handbook-on-effective-tax-risk-assessment.pdf (accessed: 04.11.2022).

2. Guidance on the Implementation of Country-by-Country Reporting (2022). URL: https://www.oecd.org/ctp/guidance-on-the-implementation-of-country-by-country-reporting-beps-action-13.pdfLovinska L.G., Oliynyk Y.V., Kucheryava M.V. (2020). Implementation of international recommendations on the introduction of a three-level transfer pricing documentation model in Ukraine. Finance of Ukraine. № 9. P. 95-109. URL: https://doi.org/10.33763/finukr2020.09.095. (accessed: 04.11.2022)