Limitations on aggregated and anonymized CbCR statistics

The Country-by-Country Report (CbCR) was implemented as part of Action 13 of the OECD / G20 Base Erosion and Profit Shifting (BEPS) project and the main objective of CbCR is to help tax authorities identify and assess transfer pricing and other high levels of risks associated with BEPS.

In 2015, there was no consensus among members regarding making the CBCRs public to protect the privacy of sensitive information. Instead, MNEs submit CbCR in their respective countries. Such an approach seems to be consistent given that sensitive data is treated this way in many other instances.

As a part of the BEPS 11th Action Plan, the authorities have agreed to publish anonymous and aggregated CbCR statistics on a regular basis to support the ongoing economic and statistical analysis of MNEs and BEPS. The 2021 edition of the OECD Corporate Tax Statistics[1] published aggregated CbCR statistics, including CbCRs that are submitted in 38 countries by approximately 6,000 multinational corporations in 2017.

Anonymized and aggregated CbCR statistics provide crucial information, such as:

- CbCR data provides information on the global activities of MNEs, with more detailed information than is available in other data sources such as consolidated financial statements.
- CbCR data includes information on the number of employees, income generated from related and unrelated parties, profit/loss before tax, accrued and paid taxes, capital, retained earnings and tangible assets of MNEs.
- Since the data includes all the global activities of the relevant MNEs, it allows for the separate identification of domestic and international activities.
- Information is reported by jurisdiction of tax residence and not jurisdiction of incorporation.
- CbCR data provides cross-country information on the main business activities of MNEs in different jurisdictions (e.g., production, sales, etc.).

Despite the advantages listed above, anonymized and aggregated CbCR information also introduces some limitations that affect the quality of the data of CbCR statistics. Some of these limitations are summarized under the headings below.[2]

Limited information

CbCR statistics do not contain information about items such as intangible assets (e.g., patents, trademarks), liabilities, intragroup interest and royalty payments, or tax bases that might be useful for BEPS analysis.

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[1] OECD (2021), Corporate Tax Statistics: Third Edition, OECD, Paris, https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm.

[2] OECD (2021), Important disclaimer regarding the limitations of the Country-by-Country report statistics, OECD, Paris, https://www.oecd.org/tax/tax-policy/anonymised-and-aggregated-cbcr-statistics-disclaimer.pdf

Financial years covered

Anonymous and aggregated CbCR data for 2016, published in the second edition of Corporate Tax Statistics, have been compiled for fiscal years beginning January 1, 2016 to July 1, 2016. Thus, comparability between 2016 and 2017 (which covers CbCRs with fiscal years ending between 1 January 2017 and 31 December 2017) data is limited and some CbCR data may be included in both periods.

Aggregated data

Aggregated data has a limiting effect as it reduces the detail of the data and hides the effects of possible outliers.

Tax-exempt groups

Tax-exempt MNE groups and entities within a tax-exempt MNE group are generally included in the CbCR statistics in countries where they are not specifically excluded from the statistics. The inclusion of tax-exempt organizations and MNE groups affects the analysis of aggregated data because they usually have revenue, profit/loss amounts, and employees but no taxes paid or accrued.

The publication of anonymous and aggregated CbCR data provides an important new source of data on MNEs and their global activities. The scope and quality of this new dataset is expected to increase in future periods as MNEs improve the consistency of their reporting and countries improve the consistency of their data collection practices, as more countries provide data, and as issues related to the early years of data collection are addressed.

While implementation of measures designed to combat BEPS has advanced strongly since 2017, these data provide motivation for the need to continue to address remaining BEPS issues through multilateral action. Furthermore, these data highlight the need to strengthen CbCR data in the years to come to further assist the international community in continuing to measure and monitor BEPS and in advancing the international tax agenda.