Oracle Country by Country Reporting in the Cloud

Year one of the new Country by Country Reporting (CbCR) requirement was likely a significant effort for most companies. As a brand new business process, significant effort was required to identify the data, source systems, and process owners for CbCR and disclosure. However, as with any important business process, the goal should be to make CbCR an automated, repeatable process with strong controls and governance. Furthermore, given the fact that CbCR will provide revenue authorities with unparalleled insight to corporate tax strategy, it is particularly important to have strong alignment with the broader financial reporting process. The Oracle Country by Country Reporting provides this and is the only solution that offers automation and governance for all three tiers of the OECD BEPS Action 13 requirements (including the master and local file and XML filing).

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Country by Country Reporting (CbCR)

The Oracle Country by Country Reporting provides a comprehensive solution for the three-tiered approach of the OECD BEPS Project, Action 13. The solution's value is in its connection to the source financial data. This ensures the clearest possible audit trail between the tax and finance data, and significantly reduces the manual effort compared to solutions from other vendors.

The Country-by-Country Reporting solution provides an end-to-end solution:

» **Integration** – Purpose-built for CbCR, but leverages the same technology and data used by finance. This ensures the greatest possible transparency and automation.

» **Governance** – Deploy a common template to users around the world. The data in the CbCR template and the narrative in the master & local file templates can be easily rolled over from year to year to make a repeatable controlled process.

» **Collection** – Easy to use data entry screens are connected to workflow and the status of data. This provides corporate tax with a single dashboard offering insight into the real-time status of all submissions around the world.

» **Analysis** – Advanced analytics come out of the box. The prebuilt dashboard includes best practice KPIs that include audit flags such as 'revenue per employee', 'equity per employee', etc. This provides greater insight into global tax risk and the analysis tools are integrated with finance systems. Simultaneously analyze finance and tax data in the same tool.

» **Disclosure** – Produce and deliver the CbCR disclosure with confidence. The CbCR template, master file, and locals file can go through final reviews – with all historical changes tracked in the system. When complete, the final version and the XML file are available at the touch of a button.

KEY BUSINESS BENEFITS

- Data transparency in tax reporting processes allows for easier defensive of tax strategies with aggressive regulators and auditors
- Automation of tax reporting processes can significantly reduce the effort associated with compliance
- The Oracle Country by Country Reporting solution leverages your organization's existing investment in Oracle / Hyperion products

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The out-of-box Country-by-Country Reporting solution meets the OECD BEPS requirements and maintains transparency with data in financial systems. Because it's built in the Oracle Cloud, it's easy to deploy and requires no capital infrastructure investments.

Data Collection for Table 1, 2, 3 & beyond

Data for table 1 can be automated by connecting the solution to financial systems through the 'Data Management' capability. This provides the ability to automatically map and massage data into the proper format - ensuring strong controls, clear audit trail, and complete automation of the CbCR data from sources systems.

Figure 1. Country by Country data is collected in local currency, but then available in any reporting currency

Data Management requires a one-time set up that can be utilized for all future reporting periods. By utilizing our data management capabilities, your data is consistently reported, auditable and the process is repeatable. No more time is wasted to find data, collect it, put it in the right format, combine it and ensure it's consistent across all reporting periods.

Of course, not all CbCR data can be automated, and some source financial data may need to be adjusted prior to submitting for disclosure. The solution includes easy to use data collection templates for entities where data cannot be fully-automated (e.g. branches). All the information that needs to be filed, including non-financial data, can be collected. All elements that need to be filed are available, such as supporting text entries, explanations, and pick lists, to guide users through the reporting process. Users in remote locations around the world can securely access the data entry capability to provide the CbCR results for their entity. Furthermore, comment and file attachment capability allows the remote users to provide supporting information relevant for CbCR disclosure. And, lastly, a workflow capability allows corporate tax to track the submissions and leverage a governed approval process.

The data collection capability also offers the ability to adjust the source data. The adjustments are always maintained separately from source data for a complete audit trail.

KEY FEATURES

- A **complete solution** that include all three tiers of the OECD requirements (CbCR template, management of master file and local files) as well as the XML filing.

- **Best practices**, such as the prebuilt dashboard analytics in the Country-by-Country Reporting solution, provides significant value out-of-the box and reduces implementation time

- The **flexible configuration** platform allows customers to further configure out of box features. This allows you to address the unique data challenges that always arise with each company.

- The **Data Management** capabilities enable automated data collection and mapping –improving controls and significantly reducing manual data effort

- A powerful Excel add-in, **Smart View**, for ad hoc analysis and Excel-based interactions with your transfer pricing results

- Since all of the solutions are **built on the cloud** there are no capital infrastructure investments required, and less reliance on IT.

- Since the solution is built on the **Oracle Cloud** it is already designed to work your existing Oracle and Hyperion financial systems.

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Figure 2. The CbCR Table 1 data collection template maintains a clear audit trail of all sources of data and all adjustments

Risk Assessment Dashboard

The Oracle solution provides a comprehensive CbCR Risk Assessment dashboard focusing on common audit flags and metrics used by tax authorities. This includes metrics such as Return on Equity, Revenues per Employee and 50+ pre-built KPIs and audit flags. The dashboards are interactive providing the ability to drill into data. At the push of a button, change the layout of the graph from a bar into a pie chart, or any of the other chart types. The Risk Assessment dashboard saves countless hours of effort each year by providing prebuilt analysis views.
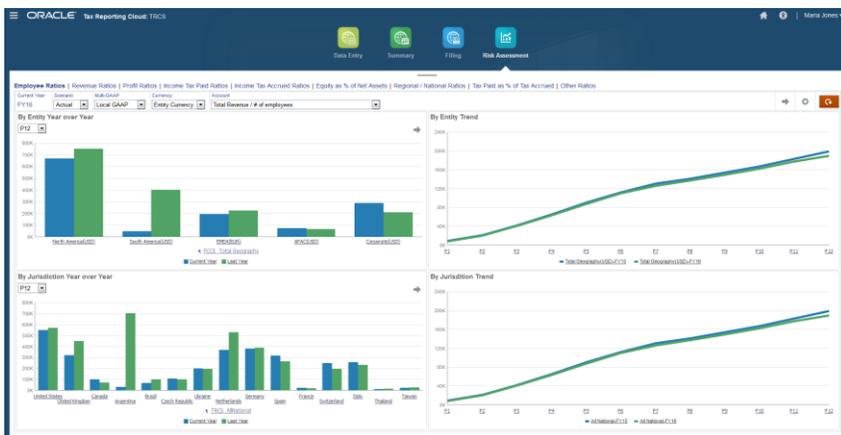

Figure 3. The CbCR Risk Assessment dashboard saves hours of time with its pre-built, best practice analytics.

Collaboration & Governance for Master and Local Files

The process of updating master and local files can be tedious for most multinational enterprises – particularly if the company operates in many jurisdictions around the

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world. First, the financial results must be updated each year, and must always reconcile to CbCR template and other source financial systems. Secondly, the narrative in all files must be updated to reflect the accompanied numbers. Most companies addressed this in year one of CbCR through the very inefficient process of emailing versions of files back and forth—which is very manual and prone to error. The Oracle Country by Country Reporting solution provides capability that is much more automated and includes the financial controls required for such an important financial reporting and disclosure process.

The narrative reporting capability within the Oracle solution allows you to quickly assign owners to different sections of the documents and work collaboratively across the different areas of reporting (e.g. by jurisdiction, by document section, etc.). The system ensures that only authorized users view sensitive data. The system monitors all activity on the different sections of the documents, tracks changes, and maintains a complete audit trail of all changes. Workflow capabilities allow corporate to keep constant status on the progress of each document.

Figure 4. The narrative management capability provides strong data controls and makes collaboration across files easy.

Another important feature of the narrative management capability is the fact that all numbers in the master and local files have complete data integrity across all files. Therefore, when a number changes in one location of a document, it will also change in the rest of the document ensuring that all files reconcile.

In Summary

Today, most companies lack automation in their tax reporting processes – heavily relying on spreadsheet-based solutions that require significant manual processing and often lack the proper controls and transparency. However, it doesn't need to be this way. Leading multinational companies are investing in Oracle's cloud-based Tax Reporting solutions to ensure transparency and efficiency of tax strategy. Oracle's cloud technology makes it easy to automate tax reporting and Country by Country Reporting while still leveraging your investment in current financial systems.

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