

EU Mandatory Disclosure Regime (MDR)

What do I need to know?



- **Mandatory Regime**
- Creates a need to report details of certain cross border arrangements to a local tax authority
- Broadly drafted rules, applying to a specified set of hallmarks
- **Requirements will vary** across EU jurisdictions, including penalty regimes and application to domestic transactions
- Details to be disclosed to relevant tax authorities **within 30 days** of arrangement becoming available
- First reports to be filed in **Summer 2020**
- **Retrospective** - the rules apply to arrangements entered into since 25 June 2018

Key questions and practical considerations for businesses

Who is responsible?



- Transactions may be reportable by intermediaries (i.e. banks, advisors) or taxpayers
- Businesses must determine what personnel and business units will be responsible e.g. Tax, Finance etc.

What audit trail will be in place?



- It will be necessary to put a process in place to determine whether transactions are reportable
- Where transactions are not reportable, backup documentation should be maintained to support this

When will the requirements apply?



- First reports under MDR to be filed in Summer 2020
- Retroactive effect – it is necessary to report arrangements entered into since 25 June 2018
- EU member states will automatically exchange information every three months

Where is the reportable data?



- The data and information to be reported may reside in multiple systems or business units
- Businesses should identify any difficulties that may arise in obtaining the data
- The reporting requirements will vary across jurisdictions

Why prioritise?



- The impact of MDR will span multiple areas of the business
- Implementation of the necessary business processes is likely to take some time
- Penalties for non-compliance may be significant

Sample hallmarks (HM) that businesses need to be aware of

Cross border transactions between 2 or more associated persons where deductible payment is made to a recipient not resident anywhere or is resident in an EU Blacklist or OECD non-cooperative jurisdiction [HM C.1(a) / C.1(b)(ii)]

Cross-border transactions where deductions for same depreciation on an asset in more than one jurisdiction [HM C.2]

Cross-border transactions where relief from double taxation in respect of the same item of income or capital is claimed in more than one jurisdiction [HM C.3]

Cross-border asset transfers, where material difference in the amount treated as payable [HM C.4]

Specific hallmarks concerning automatic exchange of information and making beneficial owners unidentifiable [HM D.1 / D.2]

Specific hallmarks concerning transfer pricing arrangements [HM E.1 / E.2 / E.3]

* Converting income into capital, gifts or other categories of lower taxed revenues [HM B.2]

* Circular transactions resulting in round-tripping of funds and offsetting/cancelling transactions [HM B.3]

* Cross-border transactions where deductible payment made between two or more associated persons where the recipient jurisdiction has no tax or almost zero tax rate, receipt has full tax exemption or payment benefits from a preferential regime in recipient jurisdiction [HM C.1(b)(i) / C.1(c) / C.1(d)]

*Linked to main benefit test

How KPMG can help

We have an inter-disciplinary team of tax experts and IT specialists working together across our member firms. We can meet the needs of your business by developing a solution that will allow you to efficiently identify reportable arrangements and integrate this solution into your IT landscape.

I. Impact analysis

- Impact Assessment to determine the impact of DAC 6 on various business units.
- Identification of the typical transactions and arrangements that are likely to be in scope for the business.
- Determine whether a reporting tool is required to support MDR compliance.

II. Design and Deploy

- Implementation concept and planning.
- Identification of responsible reporting units / stakeholders.
- Establishment of reporting process (enabled by reporting software if necessary).

III. Monitoring

- Support for the creation of DAC 6 instructions.
- Provision of training documents to support ongoing compliance.

Contact your KPMG service team for further information about how we can help

Contact us



Request a live demo of our KPMG tool at mdr@kpmg.ie



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