

## Tax Year 2018 Country by Country Tables

### Data Sources and Limitations

In the United States, Country by Country data are collected for U.S. multinational enterprise groups that have annual revenues of \$850 million or more in the immediately preceding reporting period. Country by Country data are reported on Internal Revenue Service Form 8975 and its Schedules A. Form 8975, Part I provides identifying information about the reporting entity (generally, the ultimate parent entity responsible for reporting the Country by Country data). Form 8975, Schedules A are used to provide information about the reporting entity's domestic and foreign businesses (that are constituent entities) grouped by tax jurisdiction. Information about constituent entities resident in the same tax jurisdiction are reported on the same Schedule A. There is a separate Schedule A for each tax jurisdiction where the reporting entity has a constituent entity. Part I of Schedule A identifies which tax jurisdiction the Schedule A is for and contains aggregate amounts of revenue, taxes paid, and other indicators of economic activity for all constituent entities in the same jurisdiction. Schedule A, Part II is used to identify each constituent entity resident in the tax jurisdiction. Part II also requires taxpayers to provide at least one business activity code or category for each constituent entity. There are 13 possible business activity categories (including "dormant" and "other") and more than one business activity code can be provided for each entity.

When appropriate, taxpayers also file a Schedule A for "stateless" entities, which are constituent entities that are not residents of any tax jurisdiction. There are different reasons for an entity not to have a tax residence and inferences cannot be made that revenues and profits reported on a Schedule A for stateless entities are not subject to tax. A primary reason for an entity not to report a jurisdiction of tax residence is that the legal form of the entity is tax transparent, such as a partnership. In addition to reporting the partnership revenue and profits as stateless, some or all of the revenue and profits of the partnership may also be reported on Schedules A for the tax jurisdiction of a partner that is a constituent entity, and may be subject to tax in such jurisdiction. This may result in double counting of the revenue and profits for purposes of reporting on Schedules A. A constituent entity that is a corporation may also be considered stateless if it does not meet the conditions for being tax resident anywhere, based on the jurisdiction where it is established and the location of its effective management and control. However, the corporation's earnings may be subject to tax in the tax residence of the owner of the corporation based on a controlled foreign corporation or similar regime, and would be reported on the Schedule A of the owner if it is a constituent entity. Based on the information provided, there is no way to distinguish between these cases. Therefore, readers are strongly cautioned against inferring that income reflected on the stateless line is not subject to tax.

The SOI Country by Country statistics for Tax Year 2018 include data from Form 8975 tax filings for ultimate parent entities that file Forms 1120 or 1065 with accounting periods ending between July 2018 and June 2019. Because Form 8975 is filed by U.S. ultimate parents of U.S. multinational enterprise groups with annual revenues of \$850 million or more in the immediately preceding reporting period, SOI's reporting of the data is based on a pre-defined reporting group which is by construction a subset of U.S. parented multinational enterprise groups.

The geographic tables are based upon the tax jurisdiction reported on Form 8975, Schedule A, Part I. This tax jurisdiction represents the jurisdiction of residence of the constituent entities for purposes of reporting on Form 8975, which may differ from a constituent entity's jurisdiction of organization or incorporation.

The industry tables are based upon North American Industry Classification System (NAICS) codes. NAICS code assignments are based on the principal industry of the U.S. ultimate parent entity (as reported on Form 1120 or Form 1065) or of a consolidated tax group of which the U.S. ultimate parent entity is the common parent corporation. However, some of the U.S. ultimate parent entity's assets, receipts, and profits may be related to secondary business activities. Furthermore, the principal industry of the U.S. ultimate parent entity may differ from the industries of the constituent entities reported on Form 8975, Schedule A, Part II.

### **Data Correction Procedures**

SOI analysts use available information to make some corrections to both non-financial and financial data items. Examples of non-financial data corrections include fixing incorrect reporting periods and erroneous country codes and business activity codes. Taxpayers frequently use the first two characters of a jurisdiction name rather than the appropriate country code. Some taxpayers will use the first two characters of a city or province rather than the appropriate country code. Taxpayers may also use local abbreviations for jurisdictions rather than the appropriate Form 8975 two-character codes. SOI also uses business descriptions from other sources (e.g., Form 5471, Form 8858, etc.) where the taxpayer fails to provide business activity descriptions on the Schedule A, Part II. Examples of financial data corrections include fixing data reported in thousands of dollars or in functional currency units. Additionally, data are examined by tax jurisdiction to ensure the amounts are reasonable at the aggregate level (i.e., relative to other SOI international tax data). Finally, the data are tested for significant year-over-year changes at both the U.S. ultimate parent level and the tax jurisdiction level.

In addition to data corrections, SOI also corrects other filing errors. Some taxpayers file multiple Schedules A for the same tax jurisdiction. Some of these filings are true duplicates and made in error. In these cases, SOI simply deletes the duplicate filings. Some taxpayers file multiple Schedules A with the same information in Part I but include different constituent entities in the separate Schedule A, Part II filings. In these cases, SOI captures all the constituent entities on one Schedule A and deletes the extra filings. Finally, some taxpayers file completely different Schedules A for different groups of constituent entities in the same tax jurisdiction. For these cases, SOI sums the individual Schedules A onto a single Schedule A and captures all the constituent entities on that Schedule A. The additional Schedule A records are then deleted. The end result is one Schedule A for each tax jurisdiction for each Form 8975.

### Comparison of Country by Country and Controlled Foreign Corporation Studies

Table 1 below provides a comparison between the Country by Country data and the biennial data for Controlled Foreign Corporations published by the Statistics of Income division.

Table 1: Comparison of Country by Country and Controlled Foreign Corporation Studies

	Country by Country Study	Controlled Foreign Corporation (CFC) Study
Frequency of Publication	Annual	Biennial
Ending Accounting Period	July through June	July through June
Parent Entity Types	U.S. corporations and partnerships	U.S. corporations
Foreign Entity Types	Foreign corporations, partnerships, disregarded entities, and branches generally required under GAAP to consolidate their accounts with a U.S. parent	Foreign corporations more than 50% controlled by a U.S. Corporation
Scope of Study	Defined population of all Forms 990 (which generally includes U.S. multinational enterprise (MNE) groups with revenues of \$850 million or more in the immediately preceding reporting period)	Weighted population based upon all Filer Type 4 Forms 990 filed by all U.S. corporations in the SOI Corporate (Form 990) study
Method of Financial Reporting	Taxpayer's choice of method from regulatory or tax reporting, taxpayer's books and records, internal financial statements, etc.	Determined by the IRS for each applicable schedule
Method of Converting Foreign Currency Amounts into U.S. Dollars	Taxpayer's choice of method	Determined by method specified by the IRS
Published Geographic Data	Based upon the tax jurisdiction of residence; a constituent entity's financial information may appear in the data for one or more tax jurisdictions	Based upon the country of incorporation of the CFC; financial information for each CFC is included in the published data for a single country
Published Industry Data	Based upon the NAICS code reported on Form 990 or Form 990-E; represents the principal activity of the parent entity or the principal activity of the consolidated tax group that includes the parent	Based upon the NAICS code reported on Form 990-E; represents the principal business activity of each CFC