

CCH Integrator™

Australian Local File Solution



Wolters Kluwer

When you have to be right

Manage, streamline and automate the electronic filing of the Australian Local File.

A new compliance obligation

In June 2016, the Australian Taxation Office (ATO) finalised the Local File requirements for Country-by-Country (CbC) Reporting in Australia. The Australian Local File requires specific transfer pricing and business information, such as local business strategy to be prepared and reported by Significant Global Entities (SGEs). Reporting is in a standardised format that will need to be electronically lodged using the ATO's prescribed (Extendible Markup Language (XML) schema.

There is a 'two tiered' approach to the Australian Local File:

Short Form Local File – available for taxpayers that meet eligible requirements for smaller Australian operations and immaterial international related party dealings (IRPDs).

(Full) Local File – all other SGEs ineligible for the Short Form Local file will need to complete a (full) Local File. This will need to contain all of the Short Form Local file requirements as well as Part A and B reports. Part A includes detailed, disaggregated IRPDs for the income year similar to Section A of the International Dealings Schedule (IDS), while Part B includes copies of intercompany legal agreements for material IRPDs disclosed at Part A, advance pricing arrangements (APAs), TP methods and financial accounts for the Australian reporting entity or entities.

Why a software solution is required

The data formatting, packaging and transmission complexities are extremely challenging for corporations when relying on standard business management software tools such as Microsoft Office applications.

In computing, XML is a software language based on rules for encoding data in a format that is machine-readable. The ATO requires SGEs to prepare any type of Australian Local File using the ATO's prescribed XML Schema.

Using the XML schema allows ATO to more easily identify which taxpayers and in particular, which intercompany transactions it wants to analyse for the purposes of performing International Structuring and Profit Shifting (ISAPS) reviews and/or transfer pricing audits.

Free up experienced tax professionals to focus on strategic operations.

This a significant change in process from the current IDS prepared using ATO stationery - a form that's part of the Form C Australian Income Tax Return which can be either paper lodged with the rest of the tax return or electronically lodged.

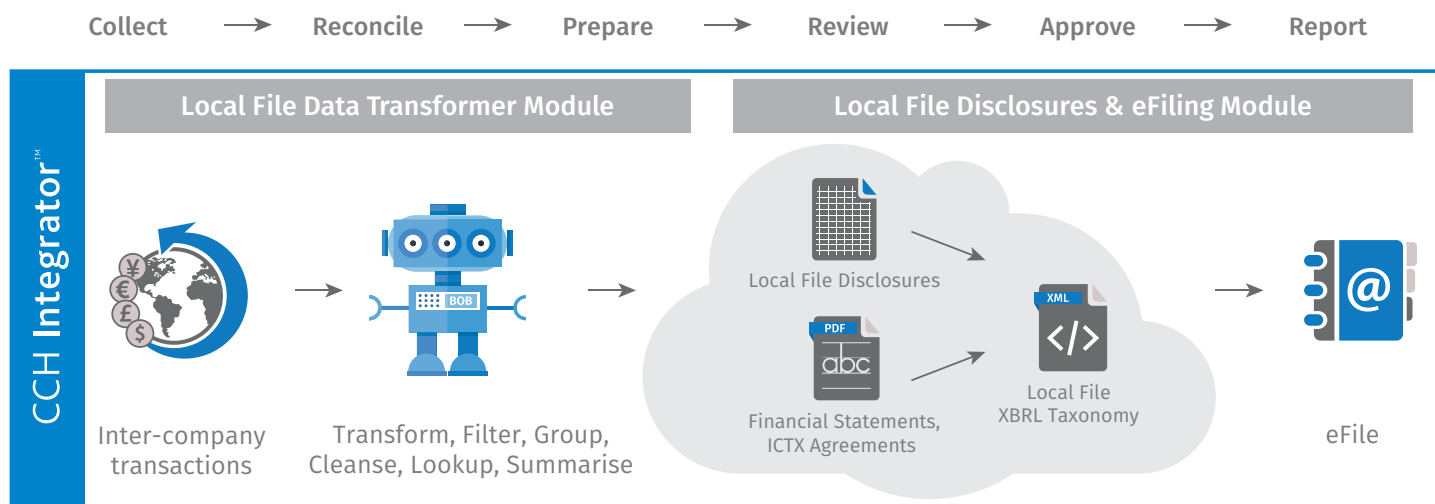
The Short Form and Full Local File must be electronically submitted via the ATO's Standard Business Reporting (SBR), the Tax Agent Portal or Business Portal. However, the ATO's CbC Reporting and IT teams have confirmed that the complexity of the Australian Local File means it would be extremely difficult to generate the XML schema in the prescribed disclosure format XBRL payload.

Software automation adds further value to the business

Over 60% of Australian SGE's surveyed spend more than 20 business days preparing their IDS. This will only increase with the introduction of the Local File disclosures. Much of the effort spent relates to the source data collection and data transformation challenges. This time intensive and repetitive work may further tie up experienced tax professionals who understand both the business transactions and the IDS/Local File requirements.

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Introducing CCH Integrator's Australian Local File Solution



Solution overview

CCH Integrator's Australian Local File solution helps manage, streamline and automate the preparation, review and electronic filing of the Australian Local File, freeing experienced tax professionals to focus on strategic operations. The solution comprises two core components:

1. Local File Data Transformer – “Bob the Robot”

- **Extract unstructured intercompany data from source systems** – import raw, unstructured data files from your GL, AP/AR or other source systems into Bob.
- **Teach Bob** – no need to design complex spreadsheets prone to error and associated risk. Instead, teach Bob your IDS preparation process including embedding a corporate dictionary of terms and transformation rules. These rules can be easily stored, repeated, reviewed and knowledge transferred to others.
- **Run Bob** – Bob will cleanse, filter, group, summarise and transpose the transactions into the ATO's prescribed Local File output, automatically populating the disclosures in CCH Integrator.
- **Collaborate** – Bob's knowledge can be shared between versions of the Bob to make it easy for you and your advisor to easily prepare and review together.

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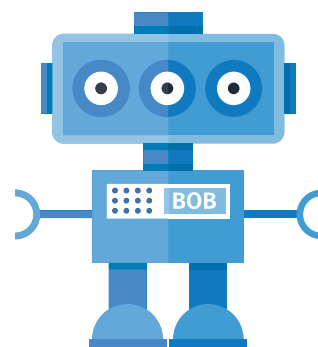
2. Local File e-Filing

- **Data entry** – manually enter and/or review summarised transactions loaded via Bob and collect/store the other attributes for each intercompany transaction in the Local File disclosures.
- **Manage your Intercompany Agreements** – The ATO require SGEs to annually disclose intercompany agreements for all material transactions disclosed at Part A. Corporate tax department's need to be able to find and disclose all of these agreements to ensure compliance. CCH Integrator's Australian Local File solution stores these agreements while also submitting them to the ATO.
- **Validate** – validate the Local File disclosures in accordance with the ATO published rules and e-File with the ATO via SBR.
- **Electronically lodge** – Integrated with CCH Integrator's additional solutions, the platform provides a secure, multi-user access to facilitate collaboration, preparation and review across the corporation. Export an XML file to electronically file via the SBR lodgment portal.

KB Key Benefits

Automate local file preparation through Bob the Robot:

- **Easy to use** - familiar MS Excel User Interface makes it easy to learn.
- **Machine automation** - teach Bob your routine/mundane preparation tasks and Bob will automate them.
- **Enhanced accuracy** - filter, cleanse, validate, enhance and summarise transactions into ATO's Local File disclosures.
- **Flexible** - deals with any source data format.
- **Document processes** - forces data assumptions stored in the minds of a few to be captured/ documented for easy repetition, review and knowledge transfer.
- **Risk mitigation** - provides a clear audit trail of how disclosures were prepared.



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Automate Australian Local File e-Filing

- **Detailed audit trail** - upload and review the output from Bob into Part A of the Local File in CCH Integrator.
- **Collaboration** - cloud based, secure, multi-user access to facilitate collaborative preparation and review across your organisation and, if required, your advisor.
- **Document management** - store ALL intercompany agreements for initial filing and ongoing updates.
- **Validate your work** - validate and e-File the Local File XML schema via SBR.
- **Extend existing value** - integrated with CCH Integrator's Corporate Income Tax Return module.
- **Roll forward and repeat** - roll-forward, update, compare and e-File in future years.

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Call us to find out more

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