International Group Taxes

Simplified Tax Computation

Overview

Companies headquartered in the UK need to report on their earnings from anywhere in the world, as well as the tax they paid on those earnings in their respective countries.

When preparing the tax return, companies need to use the Profit before Tax amount that they've already calculated for their accounts and make some adjustments – what are known as add-backs and deductions. These adjustments will result in the taxable income amount on which a tax rate is applied.

Because companies may pay tax on income from overseas, this adds another level of trickiness. They may earn money and pay taxes in the local currency, but it still needs to be reported in GBP (their required reporting currency). Any tax paid overseas may be eligible for a deduction in the UK. For accountants performing this exercise, they want to be able to do this efficiently across potentially many entities.

Whilst the UK corporate tax rules are complex, for the purposes of this exercise we're going to create a workflow that represents a simplified tax calculation.

Objective

Create a workflow that will consolidate tax information and apply appropriate FX rates to convert the post-tax income (which is the net of pre-tax income minus the taxes paid locally) from local currencies to a reporting currency.

Produce an Excel file with a company-by-company list of pre-tax income, add-backs, taxable income and tax due.

Optionally as an extension, you can also create a formatted PDF for the consolidated pre-tax income, add-backs, taxable income, tax, and effective tax rate for the group.

Processes

1. Bring in the quarterly E&P data, clean it, and aggregate it into yearly totals for each company.

2. Bring in the other datasets and blend them into one stream so that each company code has the associated filing entity, tax values, and FX rates.

3. Combine the two streams and apply the FX rate to income, tax and add-backs. Calculate the taxable income and taxes required given a 19% tax rate.

4. Prepare a spreadsheet with company totals.

Optional: Calculate the effective tax rate and prepare a formatted tax return PDF for the entire organization showing pre-tax income, add backs, taxable income, tax, and effective tax rate.

Data Dictionary

Fx Rates 18.csv

The exchange rates for the tax return, translating between the local and reporting currency (GBP).

Column Name	Data Type	Description
Country	String	Name of the country
Currency	String	Name of the currency
currency Code	String	ISO 4217 currency codes
Currency units per £1	Numeric (decimal)	Exchange rate to GBP

Master Company Data.xlsx

Column Name	Data Type	Description
Company	String	Comprising the company code and company name (aka entity)
Company Code	String	Three-character code uniquely identifying each of the companies in the group for internal reporting purposes
Country	String	Name of the country where company operates
Currency Code	String	ISO 4217 currency codes
Filing Entity	String	Three-character code uniquely identifying each of the companies in the group for external reporting purposes

FY18 – E&P Source Data.xlsx

Note the sheet names; each refers to one of the four quarterly periods that make up FY18

Column Name	Data Type	Description
Company	String	Comprising the company code and company name (aka entity)
Accrued Bonus	Numeric (decimal)	All of these are add-backs; expenses in the accounts which need to be added to the pre-tax income for tax purposes. They increase the amount on which the tax needs to be calculated
Accrued Pension		
Accrued Severance		
Accrued Vacation		
Allowance for Bad Debts		
Deferred Income		
Employee Stock Options		
Inventory Reserve		
Nondeductible Expense		
Penalties and Fines		
Depreciation		
Amortization		
Legal Reserve		
Rent Smoothing		

F18 - CY Taxes.xlsx

Column Name	Data Type	Description
Company Code	String	Three-character code uniquely identifying each of the companies in the group for internal reporting purposes
Pretax Income	Numeric (decimal)	The pre-tax income as per the accounts (in local currency)
CY Taxes Local Currency	Numeric (decimal)	Taxes paid locally (in local currency)