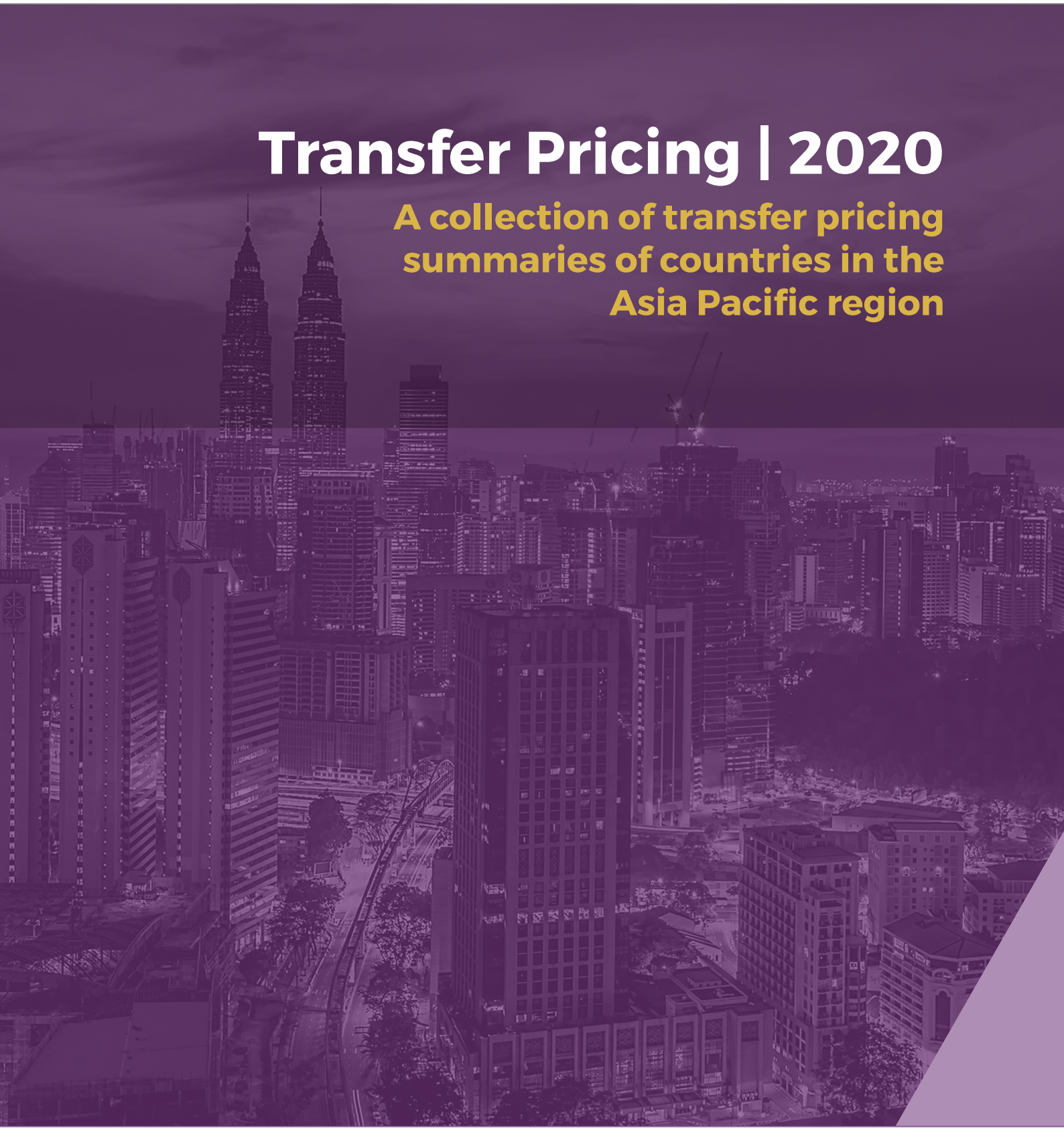
agn ASIA PACIFIC

Transfer Pricing | 2020

A collection of transfer pricing summaries of countries in the Asia Pacific region



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The AGN Asia Pacific Transfer Pricing summaries of:

Index

AUSTRALIA
2020 TRANSFER PRICING

1. TP legislation/ guidelines	Australia's TP is detailed in Division 815 Income Tax Assessment Act 1997 ("ITAA 1997"). Division 815 replaces previous provisions in Division 13 of the Income Tax Assessment Act 1936. Their main purpose is to align the application of arm's length principle in Australia's domestic law with international transfer pricing standards (currently set out in OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations). Further, the Australian Commissioner of Taxation ("Commissioner") has issued various rulings outlining the policy and practical operation of Australia's TP legislation, specifically TR 97/20 Income tax: arm's length transfer pricing methodologies for international dealings, TR 98/11 Income tax: documentation and practical issues associated with setting and reviewing transfer pricing in international dealings and PS LA 2014/3 Simplifying Transfer Pricing Record Keeping.
2. TP documentation required to be filed with tax return	Where an entity has dealings with international related parties that exceed $2 million per year (including balance of loans), it is required to disclose their dealings with international related parties, the transfer pricing methodology used and the % of transactions which has had its transfer pricing documented in the "International Dealings Schedule" as part of their income tax return. Transfer pricing records must be properly documented in order to comply with normal tax record-keeping requirements. From 1 July 2013, where an entity has not prepared TP documentation and was imposed a penalty by the Commissioner, it will not be able to obtain a reduction of that penalty on the grounds that it has a "reasonably arguable position". Taxpayers should therefore maintain contemporaneous documentation supporting the basis for the arm's length price adopted. Documentary requirements for compliance purposes would vary depending on the nature of the international transactions carried out by the taxpayer and the size of the taxpayer, with larger taxpayers requiring more detailed and robust TP documentation. PS LA 2014/3 Simplifying Transfer Pricing Record Keeping offers some simplified methods to prepare transfer pricing records for eligible taxpayers. From 1 January 2016, Australian businesses of multinational corporations with global income of AUD $1billion or more are subject to reporting under the Country-by-Country reporting (CbCR) regime. This requires the business to submit: • A CbC report that includes the following information for each country in which the multinational operates: revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, tangible assets, number of employees and main business activity; • A master file that provides an overview of the multinational's global business, its organisational structure and its transfer pricing policies • A local file that contains detailed information about the local taxpayer's operations and intercompany transactions.

3. TP audits done by tax authority	The Australian Taxation Office (ATO) regularly conducts compliance activities at all levels in this area and although it has been largely unsuccessful to date, will pursue TP matters to court as required. However, the ATO prevailed on almost all critical TP issues in the cases of Chevron [2015] and SNF (2011). In recent years, the Commissioner's focus has included: • Restructure of Australian based operations to shift functions to lower- taxed jurisdictions; • Complex or novel financial arrangements not supported by business needs; • Payment of excessive royalties, interest, guarantees and other fees; • Allocating income and expenses to Australian businesses inconsistent with economic activities.
4. Advance Pricing Arrangement	APAs are available in Australia and governed by PSLA 2015/4 and available to eligible taxpayers. These are binding agreements between taxpayers and ATO setting the TP parameters for the operation of multinationals for a defined period. The principle benefit of APAs is that it eliminates the need for complex litigation as everything is determined in advance by the ATO. The APAs is both time consuming and potentially costly in terms of legal and accounting fees, but in the long term cost savings and certainty can be achieved.
5. Mutual Agreement Procedures	The Australian guidance on MAP's is limited. Provisions for mutual agreements are found in double tax agreement between Australia and other tax jurisdictions. The principle document relating to MAP is a version of the MAP Operational Guidance for Member Countries of the Pacific Association of Tax Administrators (PATA) available at the ATO website.
6. Basis to recover intra- group service charges	Arm's length principle under the TP guidelines should be applied to intra-group service charges. Depending on the type of intra-group service charge, withholding tax may be payable on payments to non-residents (such as intra-group royalties). The Commissioner has issued various rulings ascertaining arm's length conditions are by means of the most appropriate method in such intra-group services. In particular, PS LA 2014/3 Simplifying Transfer Pricing Record Keeping indicates that a minimum mark-up of 7.5% may be acceptable (for taxpayers eligible under PS LA 2014/3). Otherwise, the taxpayer is required to substantiate what is considered to be arm's length conditions for charging/recovering intragroup services per TR 2014/6 Transfer pricing: the application of section 815-130 of the ITAA 1997.
7. Cross border management fee charges	Arm's length principle under the TP guidelines should be applied to management fees. There is no withholding tax imposed on such payments to non-residents. PS LA 2014/3 Simplifying Transfer Pricing Record Keeping indicates that a minimum mark-up of 7.5% may be acceptable (for taxpayers eligible under PS LA 2014/3).

8. Inter-company loans (cont)	Arm's length principle under the TP guidelines should be applied to interest rates calculated on inter-company loans. The ATO has identified factors in TR 92/11 for consideration when determining a proper arm's length interest rate for intercompany loans. Generally, withholding tax of 10% is payable on interest remitted to non-residents. The TP rules in Australia became common to operate alongside thin capitalisation anti-avoidance rules. More restrictive thin capitalisation rules applied from 1 July 2014, reducing allowance debt thresholds from 3:1 to 1.5:1 on a debt to equity basis and interest on excessive debt is denied deduction, irrespective of whether interest is paid to overseas related parties or arm's length domestic parties.
9. Transfer pricing penalties	Section 177DA: Schemes that limit a taxable presence in Australia, was introduced with effect from 1 January 2016 to deny tax benefits arising from a scheme which reduces tax by limiting a taxable presence in Australia. Where this applies, the foreign entity will be taxed as if it had made the sales through a deemed Australian permanent establishment (PE). Penalties as a 25% of the tax shortfall applies where an entity obtain a TP benefit, reduced to 10% where the entity is considered to have treated the TP rules as applying in a way that is reasonably arguable. Penalties can be up to 50% where it is reasonable to conclude that the entity entered into the scheme with the sole or dominant purpose of obtaining a TP benefit. A new 40% Diverted Profits Tax (DPT) will target businesses that shift profits offshore through arrangements that result in less than 80 per cent tax being paid overseas than would otherwise have been paid in Australia and where it is reasonable to conclude that the arrangement is designed to secure a tax reduction and lacks economic substance. Where such arrangements are entered into, a 40% tax on the diverted profits will be applied to ensure that large multinationals are paying sufficient tax in Australia. This was announced as part of the May 2016 Budget to apply to income years on or after 1 July 2017.

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CHINA
2020 TRANSFER PRICING

1. TP legislation/ guidelines	Enterprise Income Tax Law and Implementation Rules of the People's Republic of China both contain transfer pricing provisions. On June 29, 2016, the State Administration of Taxation officially issued the "Public Notice on Matters Regarding Refining the Filing of Related Party Transactions and Administration of Contemporaneous Transfer Pricing Documentation" (Public Notice of the State Administration of Taxation [2016] 42), which integrates, into Chinese tax regulations, the OECD/G20 BEPS Action 13 Report recommendations on transfer pricing documentation.
2. Contemporaneous TP documentation requirement	Annual enterprise income tax return shall be accompanied with Annual Related Party Transactions Reporting Forms. The number of forms has increased from 9 to 22 with more comprehensive disclosure requirements, while most enterprises only need to fill in 9 forms. Transfer Pricing Documents may also need to be filed with the Related Party Transaction Forms, which adopt a 3-tier structure, including Country by Country Report (CPC Report), Master File, Local File and Special Issue Files. (1) CPC Report: The resident enterprise is an ultimate holding company of a multinational enterprises group (MNE group) having total consolidated group revenue of more than 5.5 billion RMB will need to prepare and file the CPC report. The report is to disclose information relating to the global income, taxes and business activities of all constituent entities of the MNE group on a country-by-country basis; (2) Master File: The annual total amount of the enterprise's related party transactions during the year concerned exceeds 1 billion RMB, or the enterprise has cross-border related party transactions, and the MNE group it belongs to has prepared a master file (usually by the ultimate holding company of the group) needs to file the Master File. The master file is to provide an overview of the global business operations of the MNE group to which the ultimate holding company belongs, and shall include organizational structure, business description, intangibles, financial activities, and financial and tax positions; 3) Local File: Any enterprise that meets one of the following criteria during the fiscal year shall prepare a local file: (i) transfer of ownership of tangible assets exceeds 200 million RMB; (ii) transfer of financial assets or intangibles exceeds100 million RMB; (iii) other related party transactions exceeds 40 million RMB.

2. Contem-poraneous TP documentation requirement (cont.)	The Local Files is to disclose detailed information on the enterprise's related party transactions, including enterprise overview, related party relationship, related party transactions, comparability analysis, selection and application of TF method. (4) Special Issue Files: Materials prepared by an enterprise which implements a cost sharing agreement or has a related party debt-to-equity ratio exceeding the threshold (thin capitalization).
3 . Thresholds or exemption from TP documentation requirement	Besides the thresholds mentioned in item 2, enterprises have only domestic related party transactions may choose not to prepare master file, local file and special issue file.
4. Timeline of preparing and filing of TP documentation	A master file shall be completed within 12 months of the fiscal year end of the ultimate holding company of the enterprise group; local file and special issue file shall be completed by 30 June of the year following the year during which the related party transactions occur.
5. TP audits done by tax authority	For target taxpayers with substantial cross border related party transactions as well as taxpayers making continues losses, the Chinese tax authority has right to assess the adequacy of the taxpayer's compliance with the arm's length principles for intra-group transactions and may make adjustments if profits are not at arm's length.
6. Advance Pricing Arrangement	Enterprises may enter into an APA with the tax authorities in respect of the pricing principles and calculation methods for the related party transactions of the future period. An APA generally includes six phases including pre-filing meeting, formal application, review and evaluation, negotiations, signing of the agreement, and monitoring and execution. Enterprises with effective advance pricing agreements in place may choose not to prepare local file and special issue file with respect to the related party transactions covered by such advance pricing agreements, and the amount of these related party transactions is excluded from the calculation of the thresholds.
7. Mutual Agreement Procedures	China as a treaty partner to more than 100 double tax treaties subscribes to the mutual agreement procedures generally as prescribed under Article 25 of the OECD model tax convention.
8. Basis to recover intra-group service charges	There is no official regulation. The cost plus 5%- 15% mark up as an arm's length service fee charge for transactions rendered between intra-group and related companies is acceptable in practice.

<table>
<tr><td>9.
Cross border management fee charges</td><td>Enterprise Income Tax Law of the People's Republic of China stipulates that management fees paid between enterprises shall not be deductible from taxable income.</td></tr>
<tr><td>10. Inter-company loans (cont.)</td><td>The ratio of debt and equity investment that an enterprise receives from its related parties exceeds a specified ratio set forth and results in an interest expense. The portion of interest expense related to debt exceeding that ratio shall not be deductible when computing taxable income.<table><tr><td>Type of enterprise</td><td>Ratio (debt to equity)</td></tr><tr><td>Financial enterprises</td><td>5:1</td></tr><tr><td>Other enterprises</td><td>2:1</td></tr></table></td></tr>
<tr><td>11. Transfer pricing penalties for non-compliance</td><td>For enterprises that file related party transactions, submit contemporaneous documentation and other relevant information in accordance with relevant provisions, when additional tax is imposed by the tax administrations during the special tax investigation, an interest can be levied based on the People's Bank of China central base lending rates for the same period to which the tax payment is related.

If such filing requirements is not fulfilled, the tax payer will also need to pay a 50%-500% fine of the additional tax.</td></tr>
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HONG KONG
2020 TRANSFER PRICING

1. Overview of transfer pricing legislations in Hong Kong

The Base Erosion and Profits Shifting ("BEPS") and Transfer Pricing ("TP") law ("the new BEPS and TP law") has been passed by the Legislative Council in July 2018, which officially sets out the legislative framework for Hong Kong to implement TP documentation requirement and TP regulatory regime.

The new BEPS and TP law codifies arm's length principles and TP guidelines set out in the Organization for Economic Co-operation and Development ("OECD") BEPS initiatives into local law. A few key measures have been highlighted. A brief summary of the below would be discussed in the following section.

- TP rules
- TP documentation requirement
- Country-by-country ("CbC") report
- Substantial activity requirement
- Deeming provision from intellectual property

Prior to the enactment of the new BEPS and TP law in 2018, the IRD had issued 2 Departmental Interpretation and Practice Notes ("DIPN") in relation to TP matters. The DIPN No. 46 "Transfer Pricing Guidelines – Methodologies and Related Issues" sets out the IRD's views and practices on the methodologies of transfer pricing and related issues, and confirms that they would in general seek to apply the arm's length principles expressed in OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

The DIPN 45 "Relief from Double Taxation Due to Transfer Pricing or Profit Reallocation Adjustments" deals with double taxation relief for Hong Kong enterprises due to transfer pricing or profit reallocation adjustments under a Double Tax Agreement ("DTA").

DIPNs 58, 59 and 60 were published in July 2019 to provide specific guidance on BEPS and TP law enacted in July 2018.

The DIPN 58 "Transfer Pricing Documentation and Country-by-Country Reports (CbCR)" deals with the documentation requirements.

The DIPN 59 "Transfer Pricing between Associated Persons" further defines the arm's length principle for provision between associated persons ("Rule 1") and provides guidance on the applications of Rule 1 in Hong Kong.

The DIPN 60 "Attribution of Profits to Permanent Establishment in Hong Kong" provides details on the application of profit allocation principles ("Rule 2") in section 50AAK of the IRO which is in line with the Authorised OECD Approach ("AOA").It is applicable to Hong Kong permanent establishments (PE) of non-Hong Kong resident. Under Rule 2, a Hong Kong PE of a non-Hong Kong resident enterprise may be taxed as a distinct and separate enterprise.

However, the DIPNs for TP will not affect the broad guiding principle of Hong Kong to determine the locality of income.

2. Highlights of the new BEPS and TP law

TP rules

The new BEPS and TP law codifies the arm's length principle to be applied for transactions arranged between associated persons. Furthermore, the separate enterprises principle has been laid down for attributing income or loss to a permanent establishment ("PE") of a non-Hong Kong resident person in Hong Kong. The new BEPS and TP law empowers the Inland Revenue Department ("IRD") to make TP adjustment on taxpayer's income/expenses arising from any non-arm's length transactions with associated parties with effect from the year of assessment of 2018/19 onwards.

TP documentation requirement

A "three-tiered" TP documentation requirement has been introduced for CbC reporting purpose (CbCR). Such requirement is in line with the OECD's BEPS requirement. The three types of TP documentation refer to Master File, Local File and Country-by-Country (CbC) report (to be discussed below). For fiscal years starting on or after 1 April 2018, Hong Kong taxpayers are required to prepare master file and local file documentation within nine months after the end of the taxpayer's accounting period. Exemptions from preparing the Master File and Local File based on business size and/or on related-party transaction volume have been adopted.

CbC report

Overview

A Multinational enterprise group is required to file a CbC report if its consolidated group revenue for the immediately preceding accounting period exceeds a threshold of HK$6.8 billion (or Euro750 million) and the group has constituent entities or operations in two or more jurisdictions.

In respect of a Reportable Group, the primary obligation of filing a CbC Return is on the ultimate parent entity ("UPE") resident in Hong Kong and not on any other constituent entities resident in Hong Kong. The HK UPE is required to file a CbC Return for each accounting period beginning on or after 1 January 2018. A Hong Kong Entity of a Reportable Group whose UPE is not a tax resident in Hong Kong is subject to a secondary obligation of filing a CbC Return if any of the following conditions is met: -

- The UPE is not required to file a CbC report in its jurisdiction
- The jurisdiction has a current international agreement with Hong Kong providing for automatic exchange of tax information but, by the deadline for filing the CbC Return, there is no exchange arrangement in place between the jurisdiction and Hong Kong for CbC reports; or
- There has been a systemic failure to exchange CbC reports by the jurisdiction, which has been notified to the Hong Kong Entity by the Commissioner of Inland Revenue.

However, even if one of the above conditions is met, the Hong Kong Entity is not required to file a CbC Return if:

1. a CbC Return for the relevant accounting period is filed by another Hong Kong Entity of the Reportable Group; or
2. the Reportable Group has authorized a constituent entity as its surrogate parent entity (SPE) to file CbC Report on behalf of the Group, and the CbC report is filed by the SPE in Hong Kong or a jurisdiction which has an exchange arrangement in place with Hong Kong.

2. Highlights of the new BEPS and TP law (cont.)

The deadline for filing a CbC Return is 12 months after the end of the relevant accounting period or the date specified in the assessor's notice, whichever is the earlier.

CbCR Notification:

A Hong Kong Entity is required to make a notification containing information relevant for determining the obligation for filing a CbC return within 3 months after the end of the relevant accounting period, if it is a member of a multinational enterprise group whose revenue for the immediately preceding accounting period meets the threshold amount of HK$6.8 billion. The group has more than one Hong Kong entity, it may nominate one of the Hong Kong entities to file the CbCR Notification.

If the UPE/SPE of the reportable group is a Hong Kong tax resident, only the UPE/SPE is required to file the CbCR Notification within 3 months after the end of the UPE's accounting period.

CbC Reporting Portal:

The IRD has developed a CbC Reporting Portal for Hong Kong entities to file CbC report and other relevant documents / notifications. A CbC report must be made in the form of an XML document, which is a common medium for exchange between the jurisdictions who have introduced CbC reporting requirements.

Automatic Exchange of Country-by-Country Reports:

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters ("the Multilateral Convention") will be the main platform for Hong Kong to exchange CbC Reports with other jurisdictions. The Multilateral Convention has been enforced in Hong Kong since 1 September 2018.

Since the Multilateral Convention is not applicable in respect of the Early Reporting Periods, bilateral arrangements for exchange of CbC Reports need to be made with jurisdictions having Comprehensive Avoidance of Double Taxation Agreements ("CDTA") with Hong Kong. As at the end of February 2019, the Hong Kong government has been entered into bilateral arrangement with France, Guernsey, Ireland, Japan, Jersey, Korea, Malta, Netherlands, New Zealand, South Africa and the United Kingdom. The Hong Kong government seeks to conclude more bilateral arrangement in the near future.

Usage of CbC Report information:

The IRD is committed to using CbC report information in accordance with the uses permitted in the BEPS Action 13 Final Report. The IRD will not use CbC report information, by itself, to assess or reassess taxpayers' income for the purposes of the Inland Revenue Ordinance ("IRO"). CbC report information will not be used as a substitute for a detailed transfer pricing analysis of individual transactions and prices based on a full functional analysis and a full comparability analysis. However, the IRD may use CbC report information in planning a tax audit or investigation, or as the basis for making further enquiries into the taxpayer's transfer pricing arrangements or other tax matters, in the course of an audit.

2. Highlights of the new BEPS and TP law (cont.)	Substantial activity requirement This requirement concerns the existing preferential tax regimes for certain Hong Kong businesses such as shipping business, ship or aircraft lessors, corporate treasury centre, reinsurance and captive insurance activities would meet certain substance requirements threshold. Such requirements will be specified by the IRD with the usage of various indicators such as number of employees in Hong Kong and operating expenses incurred in Hong Kong. Such requirement is to be applied from the year of assessment 2018/19 onwards. Deeming provision from intellectual property For a person that has contributed in Hong Kong to the development, enhancement, maintenance, protection or exploitation functions for certain Intellectual Property AND if such income is derived by a non-resident person who is an associate of a Hong Kong person, the part of the income attributing to the value creation contributions in Hong Kong will be treated as a Hong Kong sourced taxable income, pursuant to the newly enacted Section 15F of the Hong Kong IRO. Such law is to be in effect from the year of assessment 2019/20 onwards.
3. Existing measures on TP	For the IRD's existing measure on transfer pricing issue, if the taxpayer ticks the box of "carried on business with a closely connected non-resident", then the places of incorporation of the corporation should be disclosed in the profits tax return submitted to IRD. Transaction amounts and jurisdictions of related parties with which transactions have been conducted must be disclosed. In addition, related party transactions have to be disclosed in audited accounts in accordance with accounting standards. Further, starting from year of assessment 2018/19, if taxpayer has transactions with non-resident associated persons, they are required to complete Supplementary Form to indicate if they are required to prepare master file, local file and other information relevant to CbC Reporting.
4. TP audits done by tax authority	No major TP audits have been done and published by the IRD. However, IRD will need to provide information to CDTA contracting parties upon their requests to cope with their TP audits.
5. Advance Pricing Arrangement	DIPN 48 "Advance Pricing Arrangement" provides guidance to enterprises seeking an Advance Pricing Arrangement ("APA"). It explains the APA process and the terms and conditions of the APA process prescribed by IRD. However, IRD will only consider bilateral or multilateral APA applications.
6. Mutual Agreement Procedures ("MAP")	Provision for mutual agreement are found in DTA between HK and other tax jurisdictions. If taxpayer is a HK tax resident and is exposed to double taxation or taxation not in accordance with the provisions of a DTA, the taxpayer can present the case to IRD for assistance. The taxpayer could approach the IRD to resolve any double taxation issues and inform the taxpayer of the agreed outcomes. MAP is part of the dispute resolution process.

7.Basis to recover intra-group service charges	There is no specific requirement from IRD. Intra-group service charges are subject to the general deduction rules and transfer pricing principles under HK tax laws. No withholding tax will be imposed on such payment to non-resident.
8. Cross border management fee charges	There is no specific requirement from IRD. Management fee charges are subject to the general deduction rules and transfer pricing principles under HK tax laws. No withholding tax will be imposed on such payment to non-resident.
9. Inter-company loans	Interest income After passing new law in 2016, reduced tax rate of 8.25% is applicable on qualifying profits received by / accrued to qualifying Corporate Treasury Centre on or after 1 April 2016. Meanwhile, new deeming provision is enacted in June 2016 for intra-group financing business (i.e. borrowing money from and lending money to its associated corporations in the ordinary course of its business). Effective from 1 April 2016, interest income received by or accrued to a corporation (other than financial institution) which arise through or from the carrying of its intra-group financing business in Hong Kong will be deemed as Hong Kong source regardless of whether the moneys concerned are made available outside Hong Kong, which means the income is chargeable on a worldwide basis. Interest expense After enactment of new deduction rule in May 2016, if a corporation carrying on an intra-group financing business, the interest expenses paid to non-resident is deductible if the lender is subject to a similar tax in a territory outside Hong Kong at a rate that is not lower than the tax rate in Hong Kong. However, if the corporation is not qualified as intra-group financing business, it is subject to the general tax rule in Hong Kong that interest paid to non-resident associated companies was not deductible as the recipient was not chargeable to profits tax in Hong Kong. Amendment to inter-group funding preferential tax regime Amendments to such preferential regime was made after a revised ordinance enactment in July 2018, to meet the OECD's BEPS standard. It aims to eliminate the overall tax benefit within the Group entities where one party has qualified for preferential tax rate. Specifically in an inter-group funding transaction between a Hong Kong CTC and the associated borrower, where the Hong Kong CTC's service fee income is subject to preferential 8.25% tax rate, the associated borrow can no longer claim deduction for the service fee expense at full 16.5%, but adjusted to 8.25%.
10. Penalties	With regards to CbC reporting, a reporting entity commits an offence if the entity, without reasonable excuse, fails to: • file the CbC Return • file the CbCR Notification

10. Penalties (cont.)	• give a notice for changing of entity's address • keep records as required • provide information upon receipt for determining if the CbC Return is accurate and complete The reporting entity would be liable on conviction to a fine HK$50,000 (US$6,400), a further fine of HK$500 for every day in case of continued failure. The general tax penalties rule may apply and the extent of these penalties depends on the degree of the offence. The maximum penalty of HK$10,000 plus three times of tax underpaid may be imposed to the taxpayer if he does not have a "reasonable excuse" for the offence. Penalty may also be imposed on those cases that TP primarily used in the context of tax avoidance and tax evasion.

INDIA
2020 TRANSFER PRICING

1. TP legislation/ guidelines	A separate code on transfer pricing under Sections 92 to 92F of the Indian Income Tax Act, 1961 (the Act) covers intra-group cross-border transactions which is applicable from 1 April 2001 and specified domestic transactions which is applicable from 1 April 2012. Since the introduction of the code, transfer pricing has become the most important international tax issue affecting multinational enterprises operating in India. The regulations are broadly based on the Organization for Economic Co-operation and Development (OECD) Guidelines and describe the various transfer pricing methods, impose extensive annual transfer pricing documentation requirements, and contain harsh penal provisions for noncompliance.
2. Contemporaneous TP documentation requirement	India has been one of the active members of the Base Erosion and Profit Shifting ("BEPS") initiative. To this effect, on May 5, 2016, the tax law of India has been amended in line with OECD BEPS Action Plan -13 to include 3-tiered documentation to be maintained. The Finance Act, 2016 introduced section 286 to the Income-tax Act, 1961 and requires the preparation and furnishing of a CbC report by certain international corporate groups. Section 92D of the tax law (that is, the provision concerning transfer pricing documentation) was amended to require Master file preparation. Taxpayers should therefore maintain contemporaneous 3 tiered such as: 1. Country by Country (CBC) Report: Aggregated tax jurisdiction-wise information on global allocation of income, taxes and indicators of economic activity supports high-level TP risk assessment. 2. Master file: Contains a high-level overview of the MNE group's TP policies (on goods, services, intellectual property, treasury, etc.). It is a blueprint of a multinational enterprise (MNE) group's business 3. Local Documentation: Provides detailed information on inter-company transactions of the Indian taxpayer. It Provides assurance that local TP compliances have been achieved.
3. Thresholds or exemption from TP documentation requirement	CbC Report: The threshold for the CbC report is total consolidated group revenue of at least Rs. 5,500 crores. Master File: The threshold for the master file is consolidated group revenue exceeding Rs. 500 crore and either the aggregate value of international transactions as per the books of accounts exceeding Rs. 50 crore or aggregate value of international transactions in respect of intangible property exceeding Rs. 10 crore.

3. Thresholds or exemption from TP documentation requirement (cont)	Local Documentation: It is to be maintained where the international transaction with associated enterprises exceeds Rs 10 Million as per Section 92D of Income Tax Act, 1961. No Local TP documentation is required to be filed with the income tax return, but same is required to be maintained for submission during the assessment.
4 Timeline of preparing and filing of TP documentation	All prescribed documents and information must be contemporaneously maintained (to the extent possible) and must be in place by the due date of the tax return filing. Companies to whom transfer pricing regulations are applicable are currently required to file their tax returns on or before 30 November following the close of the relevant tax year. The prescribed documents must be maintained for a period of nine years from the end of the relevant tax year, and must be updated annually on an ongoing basis
5. Requirement for country by country reporting	The Finance Act, 2016 introduced section 286 to the Income-tax Act, 1961 and requires the preparation and furnishing of a CbC report by certain international corporate groups. The CbC reporting template requires MNEs to report the amount of revenue (related and unrelated party), profits, income tax paid and taxes accrued, employees, stated capital and retained earnings, and tangible assets annually for each tax jurisdiction in which they do business. In addition, MNEs are also required to identify each entity within the group doing business in a particular tax jurisdiction and to provide an indication of the business activities each entity conducts. This information is to be made available to the tax authorities in all jurisdictions in which the MNE operates. The CbC report filing requirements would arise in the case of the following entities: • If the parent entity of an international group (which has been defined to include two or more enterprises including a permanent establishment which are resident of different countries or territories) is resident in India • If there is a constituent entity in India belonging to an international group and the parent entity of the group is resident in a country which is either: – Where the parent entity is not obligated to file the report as referred above. – A country with which India does not have an arrangement for exchange of the CbC reporting Or – A country that is not exchanging information with India even though there is an agreement and this fact has been communicated to the constituent entity by the Indian Tax Administration .
6. TP audits done by tax authority	In case of Assessment, Tax officer under provision of Section 92CA of Income Tax Act, 1961 can refer the case to the Transfer pricing officer (TPO) for computation of Arm Length price of transactions. TPO shall serve notice to assessee for submission of documentation and information to support his computation of arm length price.

7.Advance Pricing Arrangement (APA)	Advance Pricing Arrangement (APA) has been introduced in India with effect from July 01, 2012 by inserting the Section 91CC and 92CD in the Income Tax Act, 1961. APA provides tax certainty in determination of ALP for five future years as well as for four earlier years (Rollback). It is proposed to amend section 92CC of the Act to cover determination of attribution to PE within scope of APA.
8. Mutual Agreement Procedures	Mutual Agreement Procedures are available only with the countries tax treaty has been concluded.
9. Basis to recover intra-group service charges	Arm's length principal under the TP guidelines should be applied to group service charges. Withholding tax as per respective Double Tax Avoidance Agreement is imposed on such payments to non-residents.
10.Cross border management fee charges	Arm's length principal under the TP guidelines should be applied to management fees. Withholding tax as per respective Double Tax Avoidance Agreement is imposed on such payments to non-residents.
11. Inter-company loans	Arms length principal under TP Guidelines should be applied to Inter-Company Loans. Withholding tax @ 5% is payable on interest paid to non-resident companies as per section 194LC on fulfilling the conditions mention in the section otherwise withholding Tax @ 10% is applicable. Further, concessional rate of 4% is applicable on interest payable on any long-term bond or Rupee Denominated bonds listed in recognized stock exchange in International Finance Service Centre.
12. Transfer pricing penalties	In case failure of submit Annual Transfer Pricing Certificate in Form 3CEB Penalty of Rs. 100,000. In case fails to keep and maintain any such information and document under section 92D read with rule 10D; or fails to report such transaction which he is required to do so; or maintains or furnishes an incorrect information or document penalty of 2% such international transaction. However, there is separate penalty for not furnishing or incorrect furnishing of CBC reporting on the reporting entity.

Knowledge 'n' Management

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MALAYSIA
2020 TRANSFER PRICING

1. TP legislation/ guidelines	Inland Revenue Board (IRB) issued its first TP Guidelines on 8 July 2003. A revised version of TP Guidelines was issued in July 2012. Legislation has been introduced effective from 1 Jan 2009. In July 2017, the IRB re-issued updated version of TP Guidelines 2012 which has effect from 15 July 2017 onwards. Following the issuance of the Income Tax (Transfer Pricing) Rules 2012 which are deemed to take effect on 1 January 2009, the IRB issued the TP Guidelines 2012 which replaced the 2003 Guidelines. The objective of the 2012 Guidelines is to replace the previous Guidelines issued in 2003 and "is concerned with the application of the law on controlled transactions for the acquisition or supply of property or services where at least one party to the transaction is chargeable to tax in Malaysia". The 2012 Guideline offers a simplified approach to understanding the intricacies of TP. Subsequently, the IRB has added a new chapter on "Commodity Transactions" to the 2012 Guidelines. This chapter discusses the method for deciding the appropriate arm's length price for the transfer of commodities between associated enterprises and the appropriate documentation required. In this regard, the IRB is also updating three related documents, i.e. the chapters on "The Arm's Length Principle", "Documentation" and "Intangibles". The effective date of the updated chapters in the Malaysian TP Guidelines 2012 is 15 July 2017.
2. Contempo-raneous TP documentation requirement	Yes.
3. Thresholds or exemption from TP documentation requirement	Thresholds: Gross income → RM25M, and total related party transactions → RM15M - Financial assistance →50M - Require to prepare full TP documentation If below the threshold, require to prepare partial TP documentation
4. Timeline of preparing and filing of TP documentation	Taxpayer who enters into controlled transactions with related companies is required to prepare contemporaneous TP documentation. Filing of TP documentation to the IRB is only require upon request by the IRB.
5. Requirement for country by country reporting	The Malaysian Income Tax (Country-by-Country Reporting) Rules 2016 (The Rules) P.U.(A) 357/2016 has been gazetted on 23 December 2016.

5. Requirement for country by country reporting (cont)	The Rules applies to Multinational headquartered in Malaysia, having total group revenue of more than RM3 billion in the year 2016 in which they are required to furnish their aggregate tax jurisdiction-wide information relating to the global allocation of the income, taxes paid and certain indicators of the location of economic activity among tax jurisdictions in which the multinational company group operates. The information to be furnished is pertaining to the financial information of 2017 onwards. The Ultimate Holding entity of the multinational company group headquartered here is responsible to prepare and file the CbCR to IRB within one year from the end of their financial year. Malaysian taxpayer who is part of the multinational company group that is subject to prepare CbCR in another country, will need to notify us of their reporting entity and its residency, before the end of their financial year.
6. TP audits done by tax authority	IRB has issued TP Audit Framework (TPAF) with effective from 15/12/2019. TP audits generally cover a period of 3 to 6 years of assessment depending on the TP issues. However, the period can be extended to 7 years which depending on the TP issues found out by the IRB. The extended 7th year does not includes audit cases which involve the element of fraud, willful default and negligence which governed under subsection 91(3) of the Income Tax Act 1967. The Director General is allowed to have a 7 years time bar period for raising an assessment or additional assessment in respect of TP adjustment for a transaction entered into between associated persons not at arms length.
7. Advance Pricing Arrangement	Taxpayers are allowed to apply for APAs with effect from 1 January 2009.
8. Mutual Agreement Procedures (MAP)	Taxpayers residing in Malaysia can apply for assistance from the competent authorities in Malaysia through the MAP, on issues arising from TP audit adjustments affecting cross-border transactions with related companies in any treaty partner country.
9. Basis to recover intra-group service charges	Under the TP Guideline, taxpayer must apply arm's length principle for intra-group services, it is necessary to consider the nature, value, cost and functions of the service from the perspective of both the provider and recipient of the service.
10. Cross border management fee charges	Taxpayers are allowed deduction for such charges from overseas holding company or head office provided they are charged on arm's length basis that is commensurate with the services provided. 10% withholding tax would apply if such services are rendered in Malaysia subject to tax treaty provisions.

11. Inter-company loans

15% withholding tax is applicable on interest payments made to non-residents, subject to lower rates applicable under tax treaty provisions.

The government has issued the Earnings Stripping Rules (ESR), which came into effect on 01 July 2019 where they intended to prevent base erosion through the use of excessive interest expense or any payments which are economically equivalent to interest via controlled financial assistance.

The ESP covers the following scope:

- The ESR applies to a party having annual expenses from any cross-border financial assistance granted in a controlled transaction in excess of RM500,000;
- The ESR does not apply to individuals, financial institutions, insurance companies, reinsurance companies, development financial institutions, special purpose vehicles, construction contracts or property developers;
- Financial assistance in a controlled transactions includes "loan, interest-bearing trade credit, debts, advances or the provision of any security or guarantee".

How the ESR Works?

- The ESR restrict the tax deductibility of these expenses to a maximum of 20% of tax-adjusted earnings before interest, taxes, depreciation and amortization (Tax-EBITDA). Excess can be carried forward to future years, subject to the continuity of ownership test.
- It is important to note that the ESR is not restricted to cross-border related party financial assistance, but also extends to loans provided by foreign third parties if the loan is guaranteed by a related party of the borrower;
- The ESR does not apply to financial assistance provided by domestic related parties inside Malaysia.

12. Transfer pricing penalties

Type of Penalty	Conditions	Penalty Rate After Tax Payer Has Selected by the IRB for TP Audit	Penalty Rate on Voluntary Disclosure Before Case is Selected for Audit
1.	Tax payer did not prepare transfer pricing documentation	50%	Not applicable (*) (*) Notes: Upon voluntarily disclosure, the tax payer is still required to prepare the transfer pricing documentation.
2.	Tax payer prepare comprehensive, good quality, contemporaneous transfer pricing documentation, in accordance with the existing regulations and TP report has been submitted to the IRB within 30 days upon	0%	0%
3.	Tax payer prepared transfer pricing documentation and submitted to the IRB under the scheme of voluntarily disclosure but did not fully comply with the requirement; or tax payers prepared transfer pricing documentation with good quality and comprehensiveness but failed to submit it to the IRB within 30 days upon request by the IRB.	30%	20%

PAKISTAN
2020 TRANSFER PRICING

1. TP legislation/ guidelines	There is no specific TP legislation except section 108 of the Income Tax Ordinance, 2001 which emphasis TP to be on an arm's length basis. The Income Tax rules identify four methods for determining the arm's length transaction viz., Comparable Uncontrolled Price Method; Re-sale Price Method, Cost-Plus Method & Profit Split Method with powers to Commissioner to adopt any method.
2. TP documentation required to be filed with tax return	The Law in Pakistan does not provide with any specific documents to be filed with tax return related to TP.
3. TP audits done by tax authority	There is no specific audit requirement. The Commissioner, during the course of regular audit proceedings, has the powers to ask for the TP related transactions.
4. Advance Pricing Arrangement	Pakistan does not have an advance pricing arrangement regime.
5. Mutual Agreement Procedures	No specific procedure has been defined it depend upon the mutual agreements.
6. Basis to recover intra-group service charges	There is no specific requirement. Depending on the type of transactions withholding tax provisions apply.
7. Cross border management fee charges	Cross border management fee are covered under the Double Taxation agreements between Pakistan & other countries
8. Inter-company loans	Inter-company loans require special approval under section 199 the Companies Act, 2017 and restrict inter-company loans on softer terms.
9. Transfer pricing penalties	Transfer pricing penalties are not specifically defined under the Income Tax Ordinance, 2001.

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SINGAPORE
2020 TRANSFER PRICING

1. TP legislation/ guidelines	Inland Authority of Singapore ("IRAS") has updated the e-tax guide: Transfer Pricing Guidelines (5th Edition) on 23 February 2018. Section 34D of the Singapore Income Tax Act has enacted the requirement for compliance for related party transactions to be conducted on arm's length basis.
2. Contemporaneous TP documentation requirement	TP documentation should be prepared on a contemporaneous basis, i.e. not later than the time for the making of the tax return for the financial year in which the transaction takes place. However, it is not required to be filed with the tax return. Sections 34E and 34F have been enacted for mandatory preparation, retention and adequate contemporaneous TP documentation and penalties for non-compliance from YA 2019. A company is required to prepare TP documentation when **either** of the following two conditions is met, unless its related party transactions in the current basis period are exempted as prescribed by the TP Guidelines. i. The gross revenue from their trade or business (excludes passive source income and capital gains or losses) for the basis period concerned is more than S$10 million. ii. TP documentation was required to be prepared for the basis period immediately before the basis period concerned.
3. Thresholds or exemption from TP documentation requirement	The following taxpayers are excluded from the preparation of transfer pricing documentation if they meet the following exemptions or thresholds: • Domestic transactions for services, royalties and trades as long as both parties are at the same tax rate • Domestic loans between Singapore entities that are not in the business of borrowing or lending money as interest restriction will apply • Related party loan on which indicative margin is applied for a loan not exceeding S$15million. • Recovery of routine support services that are recovered at cost plus 5% mark up • Related parties that have entered into Advance Pricing Arrangement For all other cross border related party transactions ("RPT") the following thresholds apply:

Category of RPT	Threshold (S$) per financial year
Sale of goods	15 million
Purchase of goods	15 million
Loans provided to related parties	15 million
Loans received from related parties	15 million
All other transactions (service income/expense, royalty income/expense, rental income/expense)	1 million per category of transaction

The TP Guidelines (Paragraphs 6.5 and 6.27) states that taxpayers should review their TP documentation periodically and update their TP documentation at least once every 3 years, subject to conditions.

4. Timeline of preparing and filing of TP documentation	Taxpayers must prepare and have ready their TP documentation by the tax return filing deadline of 30 Nov of the year of assessment and submit it to IRAS within 30 days upon request.
5. Requirement for Country-by-Country Reporting ("CbCR")	The ultimate parent entity of a Singapore multinational enterprise ("MNE") group will be required to file a CbC Report for all entities in the group for financial years beginning on or after 1 January 2017. The MNE group is required to submit the CbC Report if it meets all of the following conditions: a. The ultimate parent entity of the MNE group is tax resident in Singapore; b. Consolidated group revenue for the MNE group in the preceding financial year is at least S$1,125 million; and c. The MNE group has subsidiaries or operations in at least one foreign jurisdiction. CbC Report should be submitted to IRAS within 12 months from the end of the ultimate parent entity's financial year. Failure to submit the CbC Report could result in the imposition of fines and/or imprisonment terms.
6. TP audits done by tax authority	IRAS, under the TP consultation process, may target taxpayers with substantial cross border related party transactions as well as taxpayers making continued losses. IRAS will assess the adequacy of the taxpayer's compliance with the arm's length principles for intra-group transactions and may make adjustments if profits are not at arm's length.
7. Advance Pricing Arrangement	IRAS has incorporated the Guidance on Advance Pricing Arrangement ("APA") into the TP Guidelines. Taxpayers can avail themselves to APAs where appropriate.
8. Mutual Agreement Procedures	Singapore as a treaty partner to more than 80 double tax treaties subscribes to the mutual agreement procedures generally as prescribed under Article 25 of the OECD model tax convention.
9. Basis to recover intra-group service charges	IRAS accepts the cost plus 5% mark up as an arm's length service fee charge for routine support services rendered between intra-group and related companies. IRAS expects non-routine support services to be charged and recovered on arm's length basis that is commensurate with the industry practice and/or substantiated by proper bench marking studies or analysis.
10. Cross border management fee charges	Taxpayers are allowed deduction for such charges from overseas holding company or head office provided they are charged on arm's length basis that is commensurate with the services provided. There is a 17% withholding tax if such services are rendered in Singapore subject to tax treaty provisions.
11. Inter-company loans	Lenders can extend inter-company loans within Singapore interest free subject to interest restriction on their non-income producing and/or non-trade balances.

11. Inter-company loans (cont.)	However, with effect from 1 January 2011, cross border inter-company loans will be required to be charged an arm's length interest rate. There is a 15% withholding tax on interest payment to non-residents, subject to tax treaty provisions. There is no thin capital rule.
12. TP Penalty Regime from YA 2019	Fines up to $10,000 may be imposed for non-compliance of TP documentation requirements. In addition, a surcharge of 5% will be imposed on the TP adjustments made by the IRAS in the event of a taxpayer's non-compliance with the arm's length principle.

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TAIWAN
2020 TRANSFER PRICING

1. TP legislation/ guidelines

Based on Article 43-1 of Taiwan Income Tax Act (the "ITA"), the Ministry of Finance (the "MOF") issued "Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing (the "TP Regulations") as the supreme guidance in the field of transfer pricing audit and assessment. The TP Regulations became effective since December 28th, 2004, and is followed by various rulings elaborating the Safe Harbor Rule, calculation of TP adjustment, etc.

Profit-seeking enterprises (or "taxpayers") should disclose information regarding related-party transactions in corporate income tax return. The information should include a group organization chart, basic financials of related parties, a summary of controlled transactions (by transaction types and by related parties), etc. Taxpayers who can meet the Safe Harbor Rules are exempted from disclosure requirements.

In 2015, the TP Regulations brought into the concept of "business restructuring" under OECD TP Guidelines. Reallocation of profits after business restructuring shall comply with arm's length principle, which should be evaluated from risk consideration, compensation for the restructuring, and remuneration for post-restructuring controlled transactions.

2. Contemporaneous TP documentation requirement

Starting from FY2005, taxpayers engaging in related-party transactions should maintain contemporaneous documentation (i.e., transfer pricing report or "TP Report"). While tax payers file income tax return, TP Report needs not to be attached. Taxpayers should only provide TP Report in one month after receiving tax authority's request. Taxpayers may ask for one-month extension when necessary. Taxpayers who can meet the Safe Harbor Rules could be exempted from preparation of TP Report, but should provide other substitutive documents instead.

In 2017, Taiwan tax authority adopted in the TP Regulations the three-tiered documentation structure as suggested by the OECD BEPS Action 13. Taxpayers engaging in related-party transactions should prepare documentation consisting of master file, country-by-country report ("CbCR") and local file (i.e., TP Report) for fiscal year starting on or after January 1st, 2017. Taxpayers which can meet the Safe Harbor Rules could be exempted from the documentation requirement.

The main contents of the three-tiered documentation should include:

3-Tiered Report	Contents
Master File	• ownership structure • business description • intangible assets • intercompany financial activities • financial and tax positions
CbCR	• MNE's financial information by tax jurisdiction • list of MNE's constituent entities by tax jurisdiction and the entities' main business activities

2. Contemporaneous TP documentation requirement (cont.)

3-Tiered Report	Contents
Local File (TP Report)	• company overview • group organization and management structure • summary of controlled transaction • analysis of controlled transaction (comparability, the best method, function/risk, comparables searching, arm's length profit ratio, etc.)

3. Thresholds or exemption from TP documentation requirement

Tax payers can be exempted from TP documentation requirements (master file, CbCR, local file) if the Safe Harbor Rule apply:

3-Tiered Report	Contents
Master File	• Taiwan entity's total revenue (operating and non-operating) less than NTD 3 billion; or • Total controlled transactions less than NTD 1.5 billion
CbCR	• MNE group's consolidated revenue (operating and non-operating) in the preceding year less than NTD 27 billion (around EUD 750 million); or • Taiwan entity's total revenue (operating and non-operating) less than NTD 3 billion; or • Taiwan entity's controlled transactions less than NTD 1.5 billion
Local File (TP Report)	• Taiwan entity's total revenue (operating + non-operating) less than NTD 300million; or • total revenue between NTD 300 million ~ 500 million, and neither enjoying tax incentives nor claiming operating loss carried from prior years; or • total controlled transactions less than NTD 200 million

* Taxpayers still need to prepare substitute documents instead of TP Report to sustain its arm's length position.

4. Timeline of preparing and filing of TP documentation

TP documentation (master file, CbCR, local file) should be prepared and submitted to tax authority in accordance with the timeline:

3-Tiered Report	Contents
Master File	Master File should be ready by tax return filing deadline (May 31st), and submitted to tax authority no later than one year after the last day of the fiscal year.
CbCR	CbCR should be submitted no later than one year after the last day of the fiscal year.
Local File (TP Report)	TP Report should be ready by tax return filing deadline but submitted to tax authority only upon request (in one month after receiving the authority's notice with chance to ask for one more month extension).

5. TP audits done by tax authority

A general TP audit could be performed together with the annual income tax return audit. Tax authorities usually ask for TP Report as one of the many requested documents based on the standard audit procedures.

Every year the National Taxation Bureaus will assign special audit teams to execute special TP investigation for the selected companies. The investigation is an in-depth and comprehensive audit towards all related-party transactions, which usually takes at least one year to close the case.

6. Advance Pricing Arrangement	Qualified taxpayers may apply for advance pricing arrangement ("APA") with tax authorities. Upon receiving the application, the tax authority should complete the evaluation and make conclusion within one year, which could be extended for another 12 months at most. Once the evaluation is concluded, the tax authority should further discuss with the taxpayer and seek for signing the APA within 6 months. Once the APA is signed, it shall be valid for 3 ~ 5 years, with a chance for extension of another 5 years at most. Since FY2015, a "pre-APA filing meeting" was introduced in the TP Regulations. Taxpayers may apply for a pre-APA filing meeting in three months prior to the end of the first fiscal year covered by the APA. The tax authority should review documents prepared by taxpayers and decide whether to accept the formal APA filing in three months. The new regime aims to simplify the lengthy process of APA negotiation so to encourage the application of APA.
7. Mutual Agreement Procedures	Mutual agreement procedures ("MAP") are prescribed in double taxation agreements between Taiwan and other countries. Up to March 2018, Taiwan has built up a treaty network with 32 countries crossing over Asia, Europe and North America. Settlement of cross boarder TP controversy through MAP is not common in practice. Instead, taxpayers (including Taiwan subsidiary or branch office of foreign multinational companies) usually prefer to enter into negotiation with tax authorities and seek for an agreement on taxable income adjustment.
8. Basis to recover intra-group service charges	Intro-group service charges should be subject to arm's length principle as prescribed under the TP Regulations. Basically, intra-group pricing policies should be sustained by a TP analysis. Provided that a TP analysis or documentation cannot be provided, a 5%~10% cost-plus markup for intra-group services is commonly seen in practice. For R&D related services, the cost-plus rate may be raised to 10% or above.
9. Cross border management fee charges	The Arm's length principle under the TP Regulations should apply to cross border management fees charged between related parties. Management fees paid to foreign related enterprises is usually subject to a 20% withholding tax, although expense deduction might be allowed if taxpayers can provide complete supporting documents and the intra-group pricing policy is in arm's length.
10. Inter-company loans	An arm's length interest rate should be charged on inter-company loans. Interest paid to foreign lender is subject to withholding tax at a rate of 20%. A reduced rate in tax withholding may apply under tax treaties. Interest expense is fully deductible if the arm's length principle and the thin capitalization rule are satisfied. Taiwan introduced the thin-capitalization rule since 2011. Deduction of interest expenses due to inter-company loans should be limited by a 3:1 debt/equity ratio. Interests attributed to the excessive debts will be disallowed for deduction while filing tax return.

11. Transfer pricing penalties for non-compliance	According to Article 110 of the ITA, substantial TP adjustment assessed by tax authorities will result in a penalty up to 200% of underpaid taxes, especially when taxpayer does not provide TP Report or other substitutive documents. Interests shall be charged on additional taxes assessed on a daily basis. Also according to Article 46 of the Tax Collection Act, taxpayers refuse to submit relevant information or documents (including disclosure of related party transaction and TP documentation) required by tax authorities shall be imposed with a fine of no less than NT$3,000 but no more than NT$30,000.

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