

Transfer Pricing BEPS Update

Background

International tax systems continues to evolve, aiming to tackle concerns over base erosion and profit shifting (BEPS) and perceived international tax avoidance techniques performed by high-profile multinationals. The OECD's Action Plan and recommendations on BEPS have greatly influenced how Taiwan intends to shape its transfer pricing regime.

After much discussion, Taiwan's Ministry of Finance has announced that it will adopt the OECD recommendations and will require taxpayers meeting certain criteria to prepare three layers of transfer pricing documentation being as follows:

- A master file giving an overall perspective on the business
- A local file containing information for each country
- A country by country reporting file.

Criteria

Below is a quick overview.

Type of document	Criteria
Master File	Annual revenue plus non-operating income for the Taiwan entity exceeds NTD 3 billion, and carried out related-party transactions in excess of NTD 1.5 billion per annum.
Local TP file	Same as existing criteria: annual revenue exceeding NTD 300 million and related-party transaction amounts of more than NTD 200 million
Country by Country report (CbCR)	Consolidated total group revenue for the prior year is in excess of NTD 27 billion.

Deadline

Below is a quick overview of filing deadlines.

Type of document	Deadline
Master File	Needs to be ready before the corporate income tax return is filed. The filing deadline is the end of subsequent year. For 2017, the filing deadline is 31 December 2018.
Local TP file	Needs to be ready before the corporate income tax return is filed. One only needs to provide a copy to the tax office when called for.
Country by Country report (CbCR)	The filing deadline is the end of subsequent year. For 2017, the filing deadline is 31 December 2018.

Recommendation

For transfer pricing, the burden of proof is on the shoulders of the taxpayer. If a taxpayer is unable to provide supporting documentation as required, the tax office may proceed to adjust the profit margin of the Taiwan entity to a level that the tax office deems appropriate. Such an adjustment can be severe and arbitrary.

This regulation requiring three layers of transfer pricing documentation comes into effect for the first time on fiscal year ending 31 December 2017. We recommend

large multi-national companies to check whether or not they meet the criteria requiring them to prepare the three layers of documentation. If so, we recommend the ultimate parent company and related Taiwan entity to plan ahead and work together to ensure that required documentation can be presented to the Tax Office before relevant deadlines.

Transfer pricing is an increasingly complex issue facing multi-national companies. Our specialized transfer pricing team understands your needs and has the experience necessary to guide you through these regulations. You can rest assured that our practical approach to providing transfer pricing solutions protects your business from incurring onerous tax penalties for transfer pricing adjustments and non-compliance with legislative requirements. Grant Thornton can also identify beneficial changes to business processes that may result in both substantial worldwide tax savings and other commercial benefits to your business.

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