

New China TP reporting rule finalized

On 29 June 2016, China's State Administration of Taxation (SAT) issued SAT Notice 2016 No. 42 to introduce new transfer pricing (TP) reporting requirements.

Please see below the summary on the reporting requirements.

Country by country (CbC) reporting

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| Threshold | <ul style="list-style-type: none"> • China resident enterprise being the group ultimate parent of a multinational enterprise group with consolidated revenue over RMB 5.5 billion in the last fiscal year; or • China resident enterprise nominated by the multinational group as the CbC reporting entity |
| Content | <ul style="list-style-type: none"> • The CbC reporting forms are consistent with those in BEPS Action 13. |
| Submission deadline | <ul style="list-style-type: none"> • 31 May of the following year |

TP master file

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| Threshold | <ul style="list-style-type: none"> • Enterprises in China having transactions with overseas related parties and belonging to a group which has prepared the master file, or • Enterprises having related party transactions over RMB 1 billion. |
| Preparation deadline | <ul style="list-style-type: none"> • Within 12 months after the fiscal year end of the group's ultimate holding company |

TP local file

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| Threshold | <ul style="list-style-type: none"> • RMB 200 million for tangible assets transfer; or • RMB 100 million for financial assets transfer; or • MRMB100 million for intangible assets transfer; or • RMB 40 million for other related party transactions. |
| Preparation deadline | <ul style="list-style-type: none"> • 30 June of the following year |
| Special file | |
| Threshold | <ul style="list-style-type: none"> • Enterprises having concluded a cost sharing agreement (CSA); or • Enterprises with a debt-to-equity ratio exceeding the official requirements. |
| Submission deadline | <ul style="list-style-type: none"> • 30 June of the following year |

Taxpayers are advised to manager the TP compliance risks under the new TP reporting requirements:

1. Assess if the threshold for the TP reporting is met.
2. Conduct health check on its current related party transactions.
3. Communicate with overseas headquarters for TP reporting preparation.