Transfer Pricing | 2025

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

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Transfer Pricing | 2025

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AGN International - Asia Pacific

AUSTRALIA
2025 TRANSFER PRICING

1. TP legislation/ guidelines	Australia's Transfer Pricing ("TP") legislation is detailed in Division 815 of the Income Tax Assessment Act 1997 ("ITAA 1997"). Its main purpose is to align the application of arm's length principles 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 Taxation Office ("ATO") has issued various rulings and practice guidelines 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; • TR 2014/8 Income tax: transfer pricing documentation and Subdivision 284-E; • PS LA 2014/3 Simplifying Transfer Pricing Record Keeping; and • PCG 2017/2 Simplified Transfer Pricing Record Keeping Options.
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, in an International Dealings Schedule (IDS) as part of its tax return. The IDS disclosure includes the nature and amount of certain transactions, details of financial dealings, transactions for non-monetary consideration, details of restructuring events, arm's length methodologies used, level of documentation held and details of disposals or acquisitions of capital assets. Transfer pricing records must be properly documented in order to comply with normal tax record-keeping requirements. For administrative penalty purposes, if an entity's TP documentation does not comply with the requirements of Section 284-255 of the Act, it is deemed not to have a "reasonably arguable position". Taxpayers should therefore maintain contemporaneous documentation that explain the basis for the arm's length price adopted and how it achieves consistency with the relevant OECD guidelines. Records must be in English or readily accessible and convertible into English. They must allow certain matters to be readily ascertained including the arm's length conditions, the particulars of the method used and comparable arm's length circumstances, and the actual conditions that operate between the entities and where applicable the actual profits, the arm's length profits, particulars of activities and other relevant circumstances. 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 and PCG 2017/4 provide eligible entities with turnovers not exceeding $50 million for the Australian economic group with seven simplified record keeping alternatives. These options are not available to entities that have restructured within the year or have related party dealings involving royalties, licence fees or R&D arrangements totaling more than $500,000 combined.

2. TP documentation required to be filed with tax return (cont.)	From 1 January 2016, certain entities are subject to reporting under the Country-by-Country reporting (CbCR) regime. From 1 July 2019, these rules have been modified to require entities classed as CBC reporting entities to lodge the following three CBC reporting statements. • 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; and • A local file that contains detailed information about the local taxpayer's operations and intercompany transactions. An entity will be a CBC reporting entity if it is either a CBC reporting parent which can be a standalone entity whose annual global income is A$1 billion or more, or a member of a CBC reporting group who is not controlled by another entity in the group and has annual global income A$1 billion or more; or a member of a CBC reporting group, and one of the other group members is a CBC reporting parent. 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. The ATO prevailed in the critical cases of Chevron [2015] and SNF (2011) but was unsuccessful in Glencore [2020] where the Australian High Court noted that care must be taken "not to make the task of compliance with Australia's transfer pricing laws an impossible burden when a revenue authority may, years after the controlled transaction was struck, find someone, somewhere, to disagree with a taxpayer's attempt to pay or receive arm's length consideration."
3. TP audits done by tax authority	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. The ATO has identified that the businesses at greatest risk of a client risk review and audit are those that: • Have significant levels of international dealings with related parties; • Pay less tax compared to industry standards; or • Have recently undertaken business restructures that materially affect related-party international dealings. PCG 2017/4 sets out the ATO's compliance approach to taxation issues associated with cross-border related party financing arrangements and related transactions.

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. APAs generally cover a period of 3 to 5 years. *Please note PSLA 2015/4 is being updated and moderated for consistency with the APA Review Recommendations.
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. Guidance on the mutual agreement procedures is available at the ATO website.
6. Basis to recover intra- group service charges	Under the TP guidelines, an arm's length principle 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 to be determined by means of the most appropriate method in such intra-group services. PCG 2017/2 Simplified transfer pricing record-keeping options provides guidelines as to a minimum mark-up of 5% may be acceptable for eligible taxpayers in circumstances where: • The total charged or total received is no more than 15% of total expenses or total revenue (respectively) of the Australian economic group; • There is low value adding intra-group services of not more than 25% of the pre-intra-group services; • The taxpayer has not incurred sustained losses; • The taxpayer has not undergone a restructure within the year; and • The taxpayer has assessed its compliance with the transfer pricing rules. Otherwise, the taxpayer is required to substantiate what is considered to be arm's length conditions for charging and 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	From 9 January 2019, management fees are considered as low value adding intra-group services as detailed above. Provided that the taxpayer meets the eligibility criteria, the ATO may accept a mark up of 5% or more.
8. Inter-company loans	The 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.

8. Inter-company loans (cont.)	PCG 2017/2 provides for a maximum interest rate of 1.83% for the 2022 income year and 5.65% for the 2023 income year on the basis that:
	• The combined cross-border loan balance is no more than $50 million for the Australian economic group at all times during the year;
	• The funds actually provided are in AUD and associated expenses are paid in AUD; and
	• The taxpayer has not incurred sustained losses;
	• The taxpayer has not undergone a restructure within the year; and
	• The taxpayer has assessed its compliance with the transfer pricing rules.
	
	The TP rules in Australia operate alongside thin capitalisation anti-avoidance rules. More restrictive thin capitalisation rules applied from 1 July 2014, reducing the debt threshold allowance 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. These rules will continue to apply until 30 June 2023.
	
	From 1 July 2023, the thin capitalisation rules will limit interest deductions to 30% of profit (defined as EBITDA). Any debt deductions denied may be carried forward for up to 15 years and claimed in a subsequent year. Alternatively, multinational entities can choose to claim debt-related deductions up to the level of the worldwide group's net interest expense as a share of earnings. Using the second option, the deduction will not be limited to 30% of EBITDA.
	
	On 8 April 2024, the Treasury Law Amendment (Making Multinationals Pay Their Fair Share - Integrity and Transparency) Act 2024 was enacted. The amendments apply to assessments for income years commencing on or after 1 July 2023, with the exception of new integrity rules (debt deduction creation rules) which apply in relation to assessments for income years starting on or after 1 July 2024.
	
	Under the new thin capitalisation rules:
	
	1. The newly classified 'general class investors' will be subject to one of 3 new tests.
	  • Fixed ratio test.
	  • Group ratio test.
	  • Third party debt test.
	
	2. Financial entities will continue to be subject to the existing safe harbour test and worldwide gearing test or may choose the new third party debt test.
	
	3. ADIs will continue to be subject to the previous thin capitalisation rules.
	
	4. The arm's length debt test has been removed for all taxpayers.
	
	ADIs, securitisation vehicles and certain special purpose entities are excluded from the debt deduction creation rules.
	
	Entities that are Australian plantation forestry entities are excluded from the new rules. For these entities, the previous rules will continue to apply.

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. Penalties of 150% of the tax related liability for failing to provide a document as required. A 40% Diverted Profits Tax (DPT) targets businesses that shift profits offshore through arrangements that result in less than 80% 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. The ATO also imposes failure to lodge (FTL) penalties. Significant Global Entity (SGE) FTL penalty amount for forms due from 7 November 2024 are as follows:

Days late	SGE penalties
28 days or less	$165,000
29 to 56	$330,000
57 to 84	$495,000
85 to 112	$660,000
More than 112	$825,000

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CHINA
2025 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. Contemporaneous 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.

9. Cross border management fee charges	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.
10. Inter-company loans	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. Type of enterprise: Ratio (debt to equity) Financial enterprises: 5:1 Other enterprises: 2:1
11. Transfer pricing penalties for non-compliance	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.

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INDIA
2025 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	<u>CbC Report:</u> The threshold for the CbC report is total consolidated group revenue of at least Rs. 64 billion. <u>Master File:</u> The threshold for the master file is consolidated group revenue exceeding Rs. 5 billion and A. Aggregate value of international transactions as per the books of accounts exceeding Rs. 500 million or; B. Aggregate value of international transactions in respect of intangible property exceeding Rs. 100 million.

3. Thresholds or exemption from TP documentation requirement (cont.)	<u>Local Documentation:</u> 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 one month prior to 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 30th 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.

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<td>11.
Inter-company loans</td>
<td>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 mentioned in the section otherwise withholding Tax 20% 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. If such bond is issued on or after July 1, 2023, rate shall be 9% instead of 4%.</td>
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<td>12.
Transfer pricing penalties</td>
<td>
<table>
<tr><th>S. No.</th><th>Nature of default</th><th>Amount of penalty</th></tr>
<tr><td>1</td><td>Failure to furnish report u/s 92E.</td><td>Rs. 1,00,000 [Section 271BA].</td></tr>
<tr><td>2</td><td>Failure to furnish information/ document as required u/s 92D(4).</td><td>Rs. 5,00,000 [Section 271AA(2)].</td></tr>
<tr><td>3</td><td>Failure to furnish report u/s 286(2).</td><td>Rs. 5,000 per day (15,000 per day for period beyond 1 month delay) [Section 271GB(1)].</td></tr>
<tr><td>4</td><td>Furnishing inaccurate report u/s 286(2).</td><td>Rs. 5,00,000 [Section 271GB(4)].</td></tr>
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INDONESIA
2025 TRANSFER PRICING

1. TP legislation/ guidelines	The requirements for transfer pricing documents are regulated in Minister of Finance Regulation No.172/2023 ("PMK 172/2023"). Transfer pricing documents are prepared to document the arm's length principle of transactions between related parties. The term "related parties" in the Income Tax Law and Value Added Tax Law is based on ownership, control, and family relations. PMK 172/2023 further clarifies that the state of attachment and dependency is deemed to occur if one or more parties control the other, or if one or more parties are not independent. In addition, control is deemed to exist if: a. One party is controlling or controlled by another party, either directly or indirectly; b. Two or more parties are under common control, either directly or indirectly; c. One party is controlling or controlled by another party through management or the use of technology; d. One individual has direct and/or indirect involvement or participation in managerial or operational decision-making at two or more parties; e. There are parties who are commercially or financially known or declare themselves to be in the same business group; or f. One party declares that it has a special relationship with another party. [PMK 172/2023 Art. 2]
2. Contemporaneous TP documentation requirement	Transfer Pricing Documentation consists of: a. Master file; b. Local file; c. Country-by-Country Reports. [PMK 172/2023 Art. 16(2)]

3. Thresholds or exemption from TP documentation requirement	Taxpayers that are required to prepare and retain Transfer Pricing Documentation are taxpayers that conducts Related Party Transaction with:
	
	a. The gross revenue in the previous Fiscal Year amounting to more than IDR50,000,000,000 (fifty billion rupiah);
	b. The Related Party Transaction in the previous Fiscal Year amounting to:
	  1. More than IDR20,000,000,000 (twenty billion rupiah) for tangible goods transaction; or
	  2. More than IDR5,000,000,000 (five billion rupiah) for each provision of service, payment of interest, use of intangible goods, or other related party transactions; or
	c. Related Party domiciled in a country or jurisdiction whose Income Tax rate is lower than the Income Tax rate as referred to in Article 17 of Law No. 7 of 1983 regarding Income Tax as several times amended and last by Law No. 36 of 2008 regarding Fourth Amendment to Law No. 7 of 1983 regarding Income Tax.
	
	[PMK 172/2023 Art. 16(3)]

4. Timeline of preparing and filing of TP documentation	Masterfile and local file Summary of TP documentation is included as annexes to annual tax return, which is the end of the fourth month after end of fiscal year (typically 30 April). The full TP documentation itself is not required to be submitted unless requested by the Tax office. When the Tax Office ask for Master file and Local file from the Taxpayer, it shall be submitted maximum within 1 month. [PMK 172/2023 Art. 34] CbCR Required to be submitted together with the submission of subsequent year's tax return and taxpayer is obliged to submit CbCR and its notification electronically, at the latest, 12 months after the fiscal year ended.
5. Requirement for Country-by-Country Reporting ("CbCR")	Taxpayer that is a Parent Company of a Business Group whose consolidated gross revenue in the previous Fiscal Year is at least IDR11,000,000,000,000 (eleven trillion rupiah). [PMK 172/2023 Art. 16(4)]
6. TP audits done by tax authority	There is no specific audit requirement. The Tax Office may be authorized to request for Transfer Pricing Documentation in the event it is necessary for the supervision of Taxpayer's compliance, audit, preliminary evidence tax audit, or investigation.
7. Advance pricing arrangement	Advance Pricing Arrangement is regulated in Minister of Finance Regulation No. 22/PMK.03/2020. A taxpayer can submit Unilateral APA or Bilateral APA to the Directorate General of Taxation for its related party transactions. The related party transactions may be with foreign taxpayer or with domestic taxpayer. The APA period can be up to 5 fiscal years after the submission of APA application.
8. Mutual agreement procedures	Procedure for MAP is regulated in PMK 172/2023. Request for MAP can be filed by: • Resident taxpayer; • Indonesian citizen through the Directorate General of Taxation; • The Directorate General of Taxation itself; or • Tax authority of a treaty partner country. [PMK 172/2023 Art. 41(3)] The Directorate General of Taxation have a maximum of 24 months to conclude the negotiation.
9. Basis to recover intra-group service charges	Arm's length principal under the TP guidelines should be applied to intra-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 cross border management fee charges. Withholding tax as per respective Double Tax Avoidance Agreement is imposed on such payments to non-residents.
11. Inter-company loans	Arm's length principal under the TP guidelines should be applied to inter-company loans. Withholding tax as per respective Double Tax Avoidance Agreement is imposed on such payments to non-residents. According to Minister of Finance Regulation No. 169/PMK.10/2015, the maximum debt to equity ratio is 4:1. If the ratio is bigger than that, the interest expense is not deductible for the annual income tax calculation.
12. TP penalty regime from YA 2025	Summary of Master File and Local File is included as annexes to annual tax return. If this is not provided, the tax return submitted may be deemed incomplete by the Directorate General of Taxation.

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MALAYSIA
2025 TRANSFER PRICING

1. TP legislation/ guidelines	On the 23 May 2023, the Inland Revenue Board (IRB) has released a new Transfer Pricing Rules, cited as the Income Tax (Transfer Pricing) Rules 2023 follow by the latest updated version of TP Guidelines 2024 which published on 24 December 2024.
	
	The Rules have effect for the Year of Assessment (YA) 2023 and subsequent YAs.
	
	The key changes take effect are as follows:
	
	a. Contemporaneous Transfer Pricing Documentation (CTPD) means transfer pricing documentation which is brought into existence prior to the due date for furnishing a return in the basis period for a Y/A in which a controlled transaction is entered.
	b. CTPD must be made available within 14 days upon request by the IRB.
	c. CTPD must include a list of extensive information on the MNE Group as Schedule 1, which is typically part of the group's master file.
	d. Detailed guidance on the documentation of business information (Sch 2) and Cost Contribution Arrangement (Sch 3) are now inserted into this TP legislation.
	e. Taxpayers are now required to include the date on which the CTPD is completed.
	f. Taxpayers are now required to indicate in the CTPD which information, data or documents as set out in the TP Rules that are not applicable to the taxpayers.
	g. The arm's length range is now defined as a range of figures or a single figure falling between the value of 37.5 percentile to 62.5 percentile of the benchmarking data set, when acceptable by the IRB.
	h. The IRB has now been conferred with clear power to apply the TP adjustment to the median.
	i. New rules increases the ambit of the IRB's power whereby the TP adjustment to the median or any other point above the median (but within the arm's length range) can still be imposed if the Director General has a reason to believe that the comparable set has a lesser degree of comparability or some comparability defects which cannot be quantified, identified or adjusted.
	j. The hierarchy of methods is now removed.
	k. The IRB will seek to replace the TP method used with the other most appropriate method if the Director General has a reason to believe that the taxpayer's selected method in determining the arm's length price.
	l. To ease the compliance burden, the IRB has indicated in the new TP Guideline that the following persons are not required to prepare a CTPD:
	
	    a. Individuals not carrying on a business;
	    b. Individuals carrying on business (including partnerships) who only engage in domestic transactions;
	    c. Person who entered into controlled transactions with a total amounting to not more than RM 1 millon;

1. TP legislation/ guidelines (cont.)	d. Person who entered solely for domestic controlled transactions with another person where both parties : i. Do not enjoy tax incentive; ii. Are taxed at the same headline tax rate; or iii. Do not suffer losses for 2 consecutive years prior to the controlled transactions. m. Person who are exempted in the preparation of the CTPD as mentioned in above item above must still comply with the arm's length principle for all controlled transactions entered into and must ensure to keep all relevant documents that are related to the controlled transactions, including documentation to support and prove the determination of the arm's length price.
2. Contemporaneous TP documentation requirement	Yes.
3. Thresholds or exemption from TP documentation requirement	Thresholds: i. Gross business income → RM30M, and total cross-border controlled transactions totaling RM10M ; or ii. Financial assistance →50M Require to prepare full TP documentation If below the threshold (but not fulfil the exemption criteria stated in item (l)(i) above), require to prepare a minimum transfer pricing 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. Contemporaneous transfer pricing (TP) documentation must be prepared prior to the due date for filing the tax return.
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. 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 IRB of their reporting entity and its residency, before the end of their financial year. Starting from YA 2021, constituent entities can now furnish the CbCR Notification using Form C. For constituent entities filing other forms (i.e. TF, TP, LE, etc.), the existing manner of filing the CbCR Notification letters remains the same, i.e. by using the format (Annex B/C1/C2) released by the IRBM.

6. TP audits done by tax authority	IRB has issued a TP Audit Framework (TPAF) with effective from 24/12/2024. 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 arm's length.
7. Advance pricing arrangement	Taxpayers are allowed to apply for APAs with effect from 1 January 2009. Contemporaneous TP Documentation must be prepared in accordance with the new TP rules and must be submitted together with the request for pre–filling meeting with respect of the APA application.
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. According to the latest TPD Guideline 2024 which published on 24 December 2024, tax payer may elect the simplified approach to determine arm's length charges for "Low Value Adding Intra Group Services" (LAVS). This simplified approach can only be applied to Malaysian service provider. For the purpose of this simplified approach, LVAS are services that one or more MNE group members provide on behalf of one or more other group members, which: a. Are of a supportive nature; b. Are not part of the core business of the MNE Group; c. Do not require the use of unique and valuable intangibles and do not lead to the creation of unique and valuable intangibles; and d. Do not involve the assumption or control of substantial or significant risk by the service provider and do not give rise to the creation of significant risk for the service provider. In determining the arm's length charge for LVAS, the provider of services shall apply a profit mark-up to all costs in the pool except for any pass-through costs. The mark-up shall be equal to 5% of all relevant costs. The relevant cost may include direct, indirect and operating expenses relating to the LVAS. The mark-up under the simplified approach does not need to be justified by a benchmarking study, but the taxpayer should prepare all relevant document on this simplified approach.

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 ESR 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 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	A. For TP audit cases commencing after 01 January 2021, the penalty is describe as follows: i. If an adjustment made following the findings of a TP tax audit and result in an increased income or a reduction of any deduction or loss, a surcharge may be imposed under subsection 140A(3C) of the ITA at a rate up to 5% on the amount of the adjustment; ii. A surcharge may still be imposed even if no assessment or additional assessment is raised because the surcharge rate is imposed on the amount of the transfer price adjustment; iii. The surcharge rate would be between the range of 0% to 4%.

12. Transfer pricing penalties (cont.)

B. The penalty for failure to submit the CTPD to the IRB upon request by the IRB within 14 days period from the date of written notice; or the CTPD was submitted to the IRB but it did not comply with the requirement under the TPD Rules in Malaysia are elaborated as follows (effective from YA 2023):

No	Period of Delay (number of days)	Penalty Amount (RM)
1.	Up to 7 days	RM20,000
2.	More than 7 days, up to 14 days	RM40,000
3.	More than 14 days, up to 21 days	RM60,000
4.	More than 21 days, up to 28 days	RM80,000
5.	More than 28 days	RM100,000

Note: *The period of delay is calculated from the expiration of a 14-day period from the date of service of the written notice until a complete TPD is submitted to IRBM.

PAKISTAN
2025 TRANSFER PRICING

1. TP legislation/ guidelines	The matter of TP is regulated by section 108 of the Income Tax Ordinance, 2001 and Chapter VI of the Income Tax Rules, 2002 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. However, it does require a Company to maintain the following documents and furnish them on demand: a. Maintain a master file and a local file containing documents and information as may be prescribed; b. Keep , maintain and furnish to the Board prescribed country-by-country report, where applicable; c. Keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and d. Keep the files, documents, information and reports regarding the above.
3. TP audits done by tax authority	Pakistan has established a separate directorate of international taxation which is authorized to select cases and conduct transfer pricing audits. These audits are regulated under Section 177 and Section 122 of the Income Tax Ordinance, 2001.
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 fees 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	Penalties have been prescribed for failure to furnish transfer pricing documentation as under:

Offence	Penalty
Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under Section 107, 108 or 165B within the due date.	Two thousand rupees for each day of default subject to a minimum penalty of twenty-five thousand rupees.
Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2001.	1% of the value of 108 transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002.
Any person who fails to furnish the information required or to comply with any other term of the notice served under Section 176 or 108 of the Income Tax Ordinance, 2001.	Twenty five thousand rupees for the first default and fifty thousand rupees for each subsequent default.

PHILIPPINES
2025 TRANSFER PRICING

1. TP legislation/ guidelines	Revenue Regulations (RR) No. 2-2013, aligned with OECD Transfer Pricing (TP) Guidelines.
2. Contemporaneous TP documentation requirement	Required for taxpayers engaged in related-party transactions (RPTs) to support compliance with the arm's length principle. Certain taxpayers are required to file BIR Form No. 1709 or the Information Return on Transactions with Related Party) with their Annual Income Tax Return (AITR) while transfer pricing documentation should be maintained and submitted to the BIR when required or requested during an audit investigation. Taxpayer should file BIR Form No. 1709 if it has transactions with a domestic or foreign related party during the concerned taxable year, and it falls under any of the following categories: i. Large taxpayers, ii. Taxpayers enjoying tax incentives, iii. Taxpayers reporting net operating losses for the current taxable year and immediately preceding two consecutive taxable years, or iv. A related party that has transactions with either (i), (ii), or (iii).
3. Thresholds or exemptions from TP documentation requirement	Required to be prepared if taxpayer breach any of the following materiality thresholds: i. Annual gross revenue for the taxable year exceeds PHP 150 million and the total amount of related party transactions exceeds PHP 90 million. ii. Sale of tangible goods involving the same related party exceeding PHP 60 million within the taxable year. iii. Service transactions, interest payments, utilization of intangible goods, or other related party transactions involving the same related party exceeding PHP 15 million within the taxable year, and iv. If TP documentation was required to be prepared during the immediately preceding taxable year for exceeding (i), (ii), or (iii).
4. Timeline of preparing and filing of TP documentation	Must be contemporaneous and must be in place before filing the AITR.
5. TP audits done by tax authority	Conducted by the Bureau of Internal Revenue (BIR) to assess compliance with TP rules and ensure proper tax collection.

6. Advance pricing arrangement (APA)	Available for taxpayers seeking certainty on pricing arrangements, subject to BIR approval.
7. Mutual agreement procedures (MAP)	Available under tax treaties to resolve transfer pricing disputes and double taxation issues.
8. Basis to recover intra-group service charges	Must be at arm's length, supported by proper documentation demonstrating economic benefits to the recipient entity.
9. Cross-border management fee charges	Subject to withholding tax and must comply with the arm's length principle, supported by documentation.
10. Inter-company loans	Interest rates must be at arm's length, supported by market benchmarks and proper agreements.
11. TP penalty regime from YA 2025	Non-compliance with documentation requirements may result in tax adjustments, penalties, and interest. Failure to file BIR Form No. 1709 (Related Party Transactions Form) may result in administrative fines and disallowances.

SINGAPORE
2025 TRANSFER PRICING

<table>
<tr><td>1.
TP legislation/ guidelines</td><td>The Inland Authority of Singapore ("IRAS") has updated the e-tax guide: Transfer Pricing Guidelines (7th Edition) on 14 June 2024. 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.</td></tr>
<tr><td>2.
Contemporaneous TP documentation requirement</td><td>TP documentation should be prepared on a contemporaneous basis, i.e. not later than the time for making the tax return for the financial year in which the transaction occurs. 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 must 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) is more than S$10 million for the basis period concerned.
ii. TP documentation was required to be prepared for the basis period immediately before the basis period concerned.</td></tr>
<tr><td>3.
Thresholds or exemption from TP documentation requirement</td><td>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:
<table>
<tr><th>Category of RPT</th><th>Threshold (S$) per financial year</th></tr>
<tr><td>Sale of goods</td><td>15 million</td></tr>
<tr><td>Purchase of goods</td><td>15 million</td></tr>
<tr><td>Loans provided to related parties</td><td>15 million</td></tr>
<tr><td>Loans received from related parties</td><td>15 million</td></tr>
<tr><td>All other transactions (service income/expense, royalty income/expense, rental income/expense)</td><td>1 million per category – up to YA 2025
2 million per category – YA2026 onwards</td></tr>
</table>

The TP Guidelines (Paragraphs 6.5 and 6.27) states that taxpayers should regularly review their TP documentation and <u>update their TP documentation at least once every 3 years</u>, subject to conditions.</td></tr>
</table>

4. Timeline of preparing and filing of TP documentation	Taxpayers must prepare 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 ("CbC") reporting	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 imprisonment terms.
6. TP audits done by tax authority	Under the TP consultation process, IRAS may target taxpayers with significant cross border related party transactions and 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	As a treaty partner to more than 80 double tax treaties, Singapore 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 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 an 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, up to 31 December 2024. New domestic related party loans entered into from 1 January 2025, where neither the lender nor the borrower is in the business of borrowing and lending money, should apply IRAS safe harbor regime of using IRAS' indicative margin to be added to choice of a base reference rate, which is the risk free rate, to determine the interest rate to charge on the loan. Alternatively, other arm's length interest rate may be adopted provided it is supported by TP analysis. With effect from 1 January 2011, cross border inter-company loans are required to be charged an "arm's length interest rate". A 15% withholding tax on interest payment to non-residents is subject to tax treaty provisions. There is no minimum capitalization 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 levied on the TP adjustments made by the IRAS in the event of a taxpayer's non-compliance with the "arm's length principle".

BSL TAX SERVICES PTE LTD

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TAIWAN
2025 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 Rules, the 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 qualified for the Safe Harbor Rules are exempted from the disclosure requirements. In 2015, the TP Regulations brought into the concept of "business restructuring" under the 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. In 2020, the MOF amended the TP Regulations, with reference to the OECD TP Guidelines, to incorporate more detailed guidelines for the evaluation of the economic substances and behaviors, analysis of risk and function, and reallocation of profits regarding the controlled transactions involving use of intangible assets.
2. Contemporaneous TP documentation requirement	Starting from FY2005, taxpayers should maintain contemporaneous documentation (i.e., transfer pricing report or "TP Report") towards related party transactions. While taxpayers file income tax return, TP Report needs not to be attached. Taxpayers should only provide TP Report in one month upon request from the tax authorities. Taxpayers may ask for one-month extension when necessary. In 2017, the three-tiered documentation structure applicable to multi-national enterprise ("MNE") as suggested by the OECD BEPS Action 13 was introduced in the TP Regulations. Master file, country-by-country report ("CbCR") and local file (i.e., TP Report) should be prepared for fiscal years starting on or after January 1st, 2017. The contents of the three-tiered documentation should include (but not limited to):

2. Contemporaneous TP documentation requirement (cont.)

3-Tiered Report	Contents
Master File	• Ownership structure. • Business description. • Intangible asset. • 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.
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

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

3-Tiered Report	Threshold
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 300 million; or • Total revenue between NTD 300 million ~ 500 million, neither enjoying tax incentives nor claiming operating loss carried forward; or • Total controlled transactions less than NTD 200 million.

* Taxpayers exempted from the preparation of TP Report still need to prepare substitute documents to sustain the 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 the tax authorities in accordance with the timeline:

3-Tiered Report	Timeline
Master File	Master File should be ready by tax return filing deadline, and submitted to the tax authorities 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 the tax authorities the only upon request (in one month after receiving the notice from the tax authorities and allowed to apply for extension up to one month).

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. The National Taxation Bureaus may perform special TP investigations towards the target companies. The investigation is an in-depth and comprehensive audit for 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 authorities 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 authorities should further discuss with the taxpayers 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 authorities 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 December 31, 2024, Taiwan has built up a treaty network with 35 countries. 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 negotiate with the tax authorities and seek for an agreement on taxable income adjustment.
8. **Basis to recover intra-group service charges**	Intra-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 higher. Intro-group service charges usually trigger withholding tax issues. The standard withholding tax rate is 20% for foreign service providers. Withholding tax may be exempted or reduced through the application for exemption under tax treaty, sourcing rule under Article 8, or deemed profit rate under Article 25 of the ITA.

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 withholding tax 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 against taxable income.
11. Transfer pricing penalties for non-compliance	A TP adjustment on the controlled transactions (including transactions undisclosed in corporate income tax return or TP documentation) assessed by tax authorities may result in a penalty up to 200%~300% of underpaid taxes. Taxpayers which provide TP Report or other substitutive documents are subject to the penalty only if the adjustment is over the specific threshold. Interests shall be charged for the assessed taxes on a daily basis. Besides, taxpayers refuse to submit relevant information or documents (including disclosure of related party transactions and TP documentation) required by tax authorities shall be imposed with a fine between NT$3,000 to NT$30,000.

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