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## Extending the deadlines regarding obligations in the scope of transfer pricing reporting

### Tax Alert

Dear Readers,

**22 February 2018, draft Regulation of the Ministry of Finance extending deadlines for the transfer pricing reporting, was published on the Government Legislation Center website. In accordance with the draft Regulation, taxpayers will have additional six months to fulfill the reporting requirements. In this Tax Alert we present you with the planned changes.**

Good news for taxpayers obligated to prepare transfer pricing tax reports for the years 2017 and 2018. The current wording of the provisions indicate that the deadline, among others, for the preparation of the transfer pricing report coincides with the deadline for the submission of the annual tax return, hence in the case of a majority of the corporate income taxpayers, this period falls at the end of March. At present, the Ministry of Finance is working an extension of the deadlines by six months for:

- the preparation of the **tax report** indicated in Article 9a sec. 2b of the Act of 15 February 1992 on Corporate Income Tax (Journal of Laws from 2017 item 2343 as amended, hereinafter CITA) covering both the local file as well as the benchmark,
- preparation of the master file indicated in Article 9a sec. 2d of the CITA,
- submission of the **statement on the preparation of the tax report** indicated in Article 9a sec 7 of the CITA,
- attachment of the **simplified report (CIT/TP)**, indicated in Article 27 sec. 5 of the CITA to the tax return for the financial year.

In the case of natural persons, this deadline has been extended to the end of September.

The regulation will be issued on the basis of Article 50 of the Tax Ordinance of 29 August 1997 (Journal of Laws from 2017, item 201 as amended) in accordance with which the Ministry of Finance can, by means of a regulation, extend the deadlines foreseen in the provisions of the tax law (with certain exclusions) indicated the group of taxpayers, for whom the deadlines have been extended, the types of actions, the deadlines for the completion of which have been extended as well as the lapse of the extended deadline.

As the Ministry indicates in the substantiation to the subject changes, the draft regulation will be issued in response to the series of complaints and remarks made on the part of the taxpayers, who were not able to complete all of the obligations resting with them by the deadline, as for the first time they have to prepare not only the annual tax return, but also the transfer pricing report along with the simplified CIT/TP report and

a statement on the preparation of the tax documentation at the same time. The completion of these tasks requires a lot of work, time and financial means on the part of the taxpayer, and the deadline previously indicated by the legislator proved to be insufficient for the taxpayers to adjust to the new requirements in respect of transfer pricing reporting. Additionally, taxpayers have doubts regarding the submission and completion of a simplified CIT/TP report and are expecting additional clarifications in this scope. In relation to the above, taking the important interest of the taxpayers into account, the Ministry of Finance has decided to issue the mentioned regulation.

Undoubtedly the fact that the Ministry of Finance considered the remarks submitted by the taxpayers and has already taken actions should be assessed positively. For a large group of taxpayers, staying within the deadline for the preparation of the transfer pricing report, which in the case of larger entities should also include a benchmarking study and the master file, can prove to be quite a challenge on more than one occasion. Albeit the provisions in this scope entered into force at the beginning of 2017 and it could have been expected that Q1 2018 would be a specifically busy period, it was in fact not until the end of 2017 that the taxpayers were able to assess which transactions should be taken into consideration in the transfer pricing report. Also in the case of the transfer pricing report for 2018, the date of its preparation was extended by six months.

At present, the draft resolution is at the stage of public consultations, which are to last until 27 February 2018. Due to the important interest of the state, the regulation is to enter into force as at the date of its announcement. It is very likely that the draft will be accepted in full and soon published in the Journal of Laws.

It should be indicated, that in accordance with the information included on the Ministry of Finance's website, the Ministry is also currently working on preparing an amendment of the provisions of the acts on income tax, which in a significant manner is to lessen and simplify the taxpayer's reporting obligations. At present, there is a lack of more detailed information as to how these assumptions will be implemented. We will inform you on a current basis as to the progress in the works in this scope.

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Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

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