

Update for 2019/2020: The IRD announces plans to repeal Master File and CbCR requirements

The Inland Revenue Department (IRD) has announced that it is repealing the Master File and Country-by-Country Reporting (CbCR) requirement applicable for fiscal years broadly relevant to the year of assessment 2019/2020.

This material was prepared to present time-sensitive information affecting our clients. Hence, it has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice.

The announcement has focused on three main reliefs for taxpayers who are members of multinational (MNE) groups:

1. Master File – The Master File contains standardized information relevant for all MNE group members. It should provide an overview of the MNE group business, including the nature of its global business operations, its overall transfer pricing policies relating to intangibles and intercompany financial activities and its global allocation of income and economic activity, including existing advance pricing agreements and rulings in order to assist the IRD in evaluating the presence of significant transfer pricing risk.

The Master File is required if the taxpayer's revenue exceeds Rs. 7.5 billion in the year of assessment. The announcement indicates that taxpayers are not required to prepare and maintain the Master File for fiscal years broadly relevant to the year of assessment 2019/2020.

2. CbCR – Taxpayers are required to prepare and submit the CbCR within 12 months from the MNE group’s fiscal year end, if the MNE group’s aggregate revenue exceeds Rs. 115 billion in the preceding fiscal year. The CbCR requires aggregate jurisdiction-wide information regarding MNE group’s global allocation of income, taxes paid, and certain indicators of the location of key economic activity where the MNE group members operate. The CbCR also includes quantitative data in respect of business operations in each jurisdiction, such as number of employees, stated capital, retained earnings and tangible assets, along with an identification of each entity within the group doing business in each jurisdiction.

The announcement is expected to postpone the effective date for the CbCR from 1 April 2019 to 1 April 2020. This means that the CbCR is likely to apply to reporting fiscal years of MNE groups commencing on or after 1 April 2020.

3. CbCR notification – The Transfer Pricing Regulations require the taxpayers (i.e., the constituent entities under the same MNE group) to comply with the notification obligation in addition to the CbCR filing. The due date for filing of the CbCR notification is no later than 31 December of the reporting fiscal year of the MNE group.

For example, MNE groups with a 31 March 2021 reporting fiscal year end will be required to meet the CbCR notification filing deadline of 31 December 2020, if the effective date of the CbCR is revised to 1 April 2020, while all other provisions remain unaltered.

The above changes have been announced, pending formal amendments being made to the Transfer Pricing Regulations by the Minister of Finance.

About EY’s Transfer Pricing and Operating Model Effectiveness Services

EY brings you a global perspective on transfer pricing and supply chains based on our long-standing experience of the subjects. We can help you configure your supply chain effectively and design and implement sustainable transfer pricing policies. Our multi-skilled teams support you in implementing proactive, pragmatic and integrated strategies that address tax risks and help your business succeed.

For additional information with respect to this Alert, please contact the following:

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