



 [Print whole section](#)

## Transfer pricing

Detailed information about international tax for business and transfer pricing.

### **International Dealings Schedule Consultation Report**



This report reflects our consultation with both LME and SMEs and their advisors, on the impact of the IDS.

### **International transfer pricing – introduction to concepts and risk assessment**



Learn the basic concepts of international transfer pricing and when a business may face a review or audit.

### **Country-by-Country reporting**



Country-by-country (CBC) reporting is part of a suite of international measures aimed at combating tax avoidance.

### **COVID-19 economic impacts on transfer pricing arrangements**



Information about the economic impacts of COVID-19 on transfer pricing arrangements.

QC 28639

# International dealings schedule consultation report

This report reflects our consultation with both LME and SMEs and their advisors, on the impact of the IDS.

**Last updated** 17 January 2017

The publication of this report implements recommendation 3.6(1)(c) of the Inspector-General of Taxation (IGoT)'s 2012 report 'Review into the Australian Taxation Office's management of transfer pricing matters'.

This report reflects our consultation with both large market (LME) and small-to-medium market business entities (SMEs) and their advisors, on the impact of the International Dealings Schedule (IDS). It also outlines to what extent the aims of reduced compliance costs have been achieved.

## Overview

### Consultation

#### Client reach and engagement

Invitations were sent to:

- industry bodies that were members of the Division 815 working group
- transfer pricing specialists from accounting and law practices
- LMEs which self-submit the IDS
- SMEs which submit the IDS with or without external professional assistance.

We directly contacted IDS self-submitters in various industries including manufacturing and engineering, logistics and shipping, banking and finance, energy and resources, marketing and distribution, construction and building, technology and science, and retail and services.

Discussions were held via teleconference as well as face-to-face meetings.

## **Who we consulted with**

We consulted with:

- 7 industry bodies
- 6 major accounting and law practices
- 80 LME and SME IDS lodgers invited
- 673 corporate tax managers and finance professionals through seminars in five capital cities

## **Issues discussed**

- IDS reporting and compliance costs, and use of natural business systems in IDS reporting.
- IDS lodgment via paper, electronic lodgment service (ELS) or the standard business reporting (SBR).
- The impact of tax law changes, including new transfer pricing documentation requirements.
- The ATO's IDS reporting assistance services.
- Specific IDS reporting requirements and suggestions for modifications.

## **Common issues and findings**

- The IDS has streamlined income tax return reporting for international business and transactions by combining and replacing Schedule 25A, *International Dealings Schedule – Financial Services and Thin Capitalisation Schedule* from 2012.
- Information reported in the IDS is sourced from natural business accounting and information systems.
- There's been no increase in compliance costs stated by any group from the IDS after the first year of the IDS (2012 income year).
- While not resulting from IDS reporting itself, the transfer pricing documentation requirements in Subdivision 284-E means there hasn't been an incremental reduction in overall compliance costs each year.

- Ongoing IDS reporting and compliance costs are significantly minimised by SMEs and LMEs using tailored accounting and data processing models and/or setting up appropriate business accounting and data systems.
- SMEs and LMEs expressed the desire for long-term stability in IDS reporting requirements.
- Most IDS self-submitters engage accounting firms to provide quality assurance of their internally prepared IDS and associated transfer pricing documentation.
- Compliance with IDS reporting was assisted by the availability of timely ATO assistance services provided through the IDS Project mailbox corporate email box, [idsproject@ato.gov.au](mailto:idsproject@ato.gov.au)
- There were sufficient opportunities for consultation on changes to IDS reporting resulting from new transfer pricing laws (from 2014 income year).
- The diversity of issues and circumstances impacting on IDS reporting means ongoing ATO reporting assistance and targeted guidance is required.

### **SME specific issues and findings**

Consultations revealed SMEs wanted the ATO to re-assess:

- the \$2 million de minimis threshold for IDS reporting of international related party dealings (IRPD), including how the threshold impacts on loans or one-off transactions
- the compliance burden for some SMEs versus the information the ATO needs to assess and manage international tax risks.

The ATO will consider the de-minimis threshold for reporting of IRPDs in the IDS, including in light of the Country-by-Country (CbC) reporting requirements applying from the 2016 income year.

### **LME specific issues and findings**

LMEs wanted to avoid overlap between the IDS and the new local file under CbC reporting which applies to entities with annual global income of \$1 billion or more.

The ATO has designed the local file to reduce duplication of IDS and local file reporting taking into account how:

- lodgment dates for the local file under CbC legislation do not align with lodgment of the IDS in the tax return
- approximately 90% of entities lodging the IDS are not expected to be providing a local file, eg because their global income is less the \$1bn CbC threshold.

The ATO has designed the local file so that entities providing the full local file are not required to complete the IDS questions covering IRPDs (questions 2 to 17 of the IDS) if they voluntarily lodge Part A of the local file with their tax return.

LMEs also commented on the impact of the new transfer pricing documentation requirements in Subdivision 284-E.

Some LMEs expressed the view they shouldn't be subject to IDS or CbC reporting for their IRPDs because they provide the ATO with sufficient information under other processes, such as Annual Compliance Arrangements (ACA).

Relevant factors and ATO findings are:

- The ATO amended the IDS instructions to clarify that, for the purpose of selecting 'percentage of dealings with documentation' codes, documentation does not need to satisfy the requirements under Subdivision 284-E.
- Subdivision 284-E documentation requirements affect whether there is a reasonably arguable position. Subdivision 284-E requirements are relevant if there is ultimately an adjustment to taxable income because of how transfer pricing provisions apply to relevant dealings.
- The IDS is part of the entity's tax return and is certified as correct by the entity's public officer.
- Sections B to F of the IDS cover information not covered in the local file including information on:
  - applying the thin capitalisation rules
  - attributable income of foreign subsidiaries under the CFC rules.
- ACA or other compliance review processes for individual LMEs do not ensure the information collected in the IDS or the local file is provided by the LME.

- The IDS is designed to collect information that is used by the ATO for high level risk assessment, case selection and for reporting to Government.
- The local file will collect more detailed information about IRPDs than questions 2 to 17 of the IDS, enabling more effective high level risk assessment of profit shifting through IRPDs.

## **SME feedback**

### **Compliance costs**

- SMEs indicated compliance costs for the first year of the IDS (2012 income year) was mainly due to staff time, to understand the new IDS reporting requirements.
- Completing the IDS for subsequent years has been easier and does not involve significant incremental compliance costs.

### **Natural business accounting and information systems**

Most SMEs indicated they use their natural business accounting and information systems such as MYOB and SAP to produce the data and information to fill out the IDS.

Using these natural business systems lowers compliance costs in IDS reporting beyond initial investment in the systems.

### **IDS Form**

- A number of SMEs expressed a preference for a simplified IDS format reflecting their relatively lower turnover and level of related party dealings.
- SMEs also said they preferred IDS reporting to be stable to keep compliance costs at current levels.
- It was acknowledged IDS design means only applicable parts need to be filled out by SMEs with more simple international dealings.

### **IDS Instructions**

- Feedback was generally that the IDS instructions contain appropriate guidance for how to complete the IDS, including instructions for new questions reflecting law changes such as the new transfer pricing rules.

- Some SMEs said the instructions were too long. Other SMEs said they were not detailed enough, e.g. they didn't cover all aspects of our Taxation Rulings on new transfer pricing rules.
- Differing SME opinions reflected differing complexity of their international business structures and dealings.

### **\$2 million dollar de minimis threshold for reporting IRPDs in Section A**

- SMEs said the increase of the de minimis threshold from \$1 million to \$2 million for the transition to the IDS from the former Schedule 25A, reduced compliance costs.
- Some SMEs actually felt the current \$2 million threshold should be lower to reflect the current business environment (including CPI and foreign exchange rates).
- SMEs could have a one-off IRPD transaction that tipped them over the \$2 million threshold.

### **Country reporting at questions three and four**

- The incremental compliance costs of SMEs reporting IRPD expenditure and revenue for the top three overseas countries was less than the incremental compliance costs of reporting different kinds of transactions in the former Schedule 25A
- SMEs may have IRPDs with only a few overseas countries

### **Activity codes for questions three and four**

Some SMEs would have preferred a modified list of activity codes such as:

- grouping of some codes
- more categories
- activity codes more consistent with the business activities across the SME market.

### **SME suggestions**

1. The ATO should bring the IDS to discussions or meetings with the SME in a review / audit so the SME can know how the IDS is used.

2. There could be a shorter IDS for any SME that only has to complete Section A of the IDS.
3. SMEs only need to produce the information required in the IDS if the ATO conducts an audit / review of the SME.
4. The \$2 million IRPD threshold for completing Section A of the IDS should be increased, with some SMEs providing the following specific suggestions:
  - increasing by an amount reflecting inflation
  - taking foreign currency exchange rates into account
  - a special higher threshold for loans.

## **LME feedback**

### **Compliance costs**

- The majority of LMEs appreciated why the ATO needs the information reported at the IDS.
- LMEs welcomed how the IDS replaced and amalgamated Schedule 25A, *International Dealings Schedule – Financial Services and Thin Capitalisation Schedule*.
- The IDS reporting assistance provided by the ATO via IDS Project mailbox and direct discussions and meetings helped LMEs and their tax advisors understand IDS reporting requirements.
- Compliance costs of commencing IDS reporting differed:
  - for LMEs with higher business turnovers, key costs were for systems and software
  - for LMEs with lower business turnovers, key costs included setting up Excel spreadsheets.
- Compliance costs for preparing the IDS were generally in a diminishing trend since the first year of the IDS.
- Nominal compliance costs tend to be higher for Australian owned LMEs because they have a wide range of international dealings.



- The level of ongoing compliance costs depend on whether LMEs have business reporting and accounting systems which produce the figures reported in the IDS.
- Apart from the costs associated with upfront investment in information systems, compliance costs were mostly due to preparation of transfer pricing documentation and associated transfer pricing analysis.
- The requirements under Subdivision 284-E for establishing reasonably arguable positions have increased these compliance costs.
- There were no significant incremental costs associated with complying with changes to the IDS reflecting legislative changes after the first year of IDS reporting.
- It was suggested LMEs in the banking industry have higher compliance costs due to:
  - the high volume of their related party financial transactions
  - the sophisticated or specialised nature of some of their related party financial transactions
  - the need to manually process the data generated from their historical business systems via Excel spreadsheet in order to produce the country breakdown figures for IRPDs required in questions three and four of the IDS.

## **Natural business systems**

- LME's generally preferred to have IDS reporting aligned with their natural accounting and information systems.
- Natural business accounting and information systems required for statutory reporting and stock exchange listing rules are sufficient to capture and collate values for international dealings with controlled entities and associates.
- Ongoing IDS reporting costs are therefore potentially higher for LMEs who have significantly expanded offshore but do not currently use enterprise accounting and information systems.
- Feedback indicated some LMEs in the banking industry:

- needed to undertake more sophisticated technical analysis for specialised financial transactions with their related parties
- tended to retain piecemeal historical business and information systems which did not produce all the figures required in the IDS
- may spend up to six weeks to prepare the IDS because of their resulting need to manually prepare the IDS figures.

## **IDS Form**

- LMEs would prefer as little change to the IDS as possible to avoid the need for adjustment or development of their information systems.
- LMEs said:
  - they would prefer delay of any significant changes to the IDS until after Australia had implemented the OECD BEPS actions items
  - we should balance the compliance costs of changes against the ATO's ability to use the additional IDS information.

## **Activity codes for questions three and four**

- The cost of determining the applicable activity codes for relevant IRPDs shown at questions three and four was higher than expected for the first year of the IDS (2012 income year).
- A small number of LMEs suggested ANZSIC Industry codes be substituted for the activity codes used in questions three and four, however most LMEs indicated the activity codes better reflect their relevant business activities than ANZSIC codes.

## **Reporting of IRPDs**

- Some LMEs raised the issue of how to report recharge of costs with international related parties.
- The ATO advised reporting of revenue/gains and expense/losses for recharge arrangements is based on their accounting records as for other IRPDs, and can't be excluded from the IDS because there is no net margin or profit.

## **Q8 (Services)**

- Some LMEs wanted a de minimis threshold for having to report amounts for the different kinds of service arrangements in Question 8, so they could instead report aggregated amounts for all kinds of IRPD service arrangements if they were below the threshold.
- LMEs wanted more clarity about the difference between amounts required to be reported:
  - at Question 8 of the IDS for ‘insurance’ and ‘reinsurance’ service arrangements with international related parties
  - at Question 11 of the IDS for insurance and reinsurance with international related parties.
- The ATO has since amended the IDS instructions to clarify:
  - amounts shown at Question 8 are for services associated with the management of insurance or reinsurance contracts, including placement of insurance to third parties or back office functions
  - amounts shown at Question 11 are for premiums or other revenue from the provision of insurance or reinsurance, or premiums or other expenditure for obtaining insurance or reinsurance.

## **Q15 (Share based employee remuneration)**

- LMEs suggested:
  - Question 15 should include employee stock options to better align with tax returns and because LMEs used employee stock options more often than share based employee remuneration
  - accounting amounts should be reported for employee stock options instead of tax amounts, especially where share-based remuneration is not being deducted.

## **Q17 (Restructuring events)**

- Most LMEs said they thought Question 17 was too broad, with some LMEs providing the following specific suggestions:

- introducing a materiality or de minimis threshold for reporting of the 'top 3' restructures
- excluding specific kinds of restructuring events such as issue of shares.

## **Q18 (Amounts deducted or returned for dealings with own branch operations)**

- LMEs in the banking industry said Question 18:
  - does not apply to all Australian banks and financial institutions because of differing structures and strategies adopted for overseas markets
  - should have a de minimis threshold for Australian entities with overseas branch operations.
- Some LMEs suggested the transfer pricing methodology and documentation codes required at questions 5 to 13 for IRPDs should also be required at question 18 to align with requirements under subdivision 284-E and subdivision 815-C.
- The transfer pricing methodology and associated documentation codes are not applicable to Question 18 because subdivision 815-C confirms that determining the arm's length profits attributable to a PE involves allocating the actual income and expenditure of the entity.

QC 50892

## **Country-by-country reporting**

Country-by-country (CBC) reporting is part of a suite of international measures aimed at combating tax avoidance.

**Last updated** 19 July 2023

**On this page**

[What is CBC reporting](#)

[CBC reporting obligations](#)


[Lodging CBC reporting statements](#)

[Automatic exchange of CBC reports](#)

[Supporting material and resources](#)

## What is CBC reporting

CBC reporting involves the comprehensive exchanges of information between participating jurisdictions.

It implements [Action 13](#)  of the Organisation for Economic Co-operation and Development (OECD) / G20 base erosion and profit shifting (BEPS) project.

CBC reporting applies to income years commencing from 1 January 2016. It requires certain entities to lodge the following 3 CBC reporting statements:

- CBC report
- master file
- local file.

These reporting statements include disclosures on:

- the revenues, profits and taxes paid by the global group, broken down by tax jurisdiction
- the operations and activities of the global group to which an entity belongs
- an entity's international related party dealings.

All CBC reporting statements must be lodged within 12 months of the end of the relevant reporting period.

## CBC reporting obligations

CBC reporting applies to entities that were either a [CBC reporting entity](#) or a [Significant global entity](#) (SGE) for a period prior to their income year.

Whether your CBC reporting entity status or SGE status triggers CBC reporting obligations depends on the start date of your income year, as follows:

- For income years starting **on or after 1 July 2019**, CBC reporting applies to entities that were a CBC reporting entity for the whole or a part of their previous income year.
- For income years starting on or after **1 January 2016** but **prior to 1 July 2019**, CBC reporting applies to entities that were SGEs for the whole or a part of their previous income year.

## CBC reporting entities

A CBC reporting entity is defined in Subdivision 815-E of the *Income Tax Assessment Act 1997*. An entity is 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
- a member of a CBC reporting group, and one of the other group members is a CBC reporting parent.

A CBC reporting group may be a group that is consolidated for accounting purposes as a single group or a notional listed company group.

A notional listed company group is a group of entities that would be required to be consolidated as a single group for accounting purposes if a member of that group were a listed company. An entity that is not consolidated for accounting purposes on the basis that the entity is immaterial is included as part of the notional listed company group.

More information about the CBC reporting entity definition, including the specific rules that define a CBC reporting group by the notional listed company group concept, can be found on our guidance page, [CBC reporting entities](#).

## Significant global entities

For income years commencing before 1 July 2019, CBC reporting applies to SGEs, as defined **prior to the amendments** made by the *Treasury Laws Amendment (2020 Measures No. 1) Act 2020*. For more

information on the definition of SGE prior to the amendments, see **Significant global entities – prior to July 2019**.

For more information about the definition of SGE **following the amendments** made by the *Treasury Laws Amendment (2020 Measures No. 1) Act 2020*, see **Significant global entities**.

## Lodging CBC reporting statements


CBC reporting statements (CBC report, master file, local file) must be submitted to us using a validly generated XML file. This XML file is usually generated by your business management software (that is, tax reporting or accounting software).

You may need to contact your digital services provider to check whether they support lodging CBC reporting statements with us.

### CBC report

The CBC report (referred to in OECD documentation as a 'CBC report') must be lodged in the approved form. The approved form follows the OECD XML schema.

This schema enables the standardised exchange of CBC reports between jurisdictions.

OECD schema v2.0 must be used for all lodgments. The schema is downloadable from [Country-by-country reporting XML schema: user guide for tax administrations](#) .

### Local file / master file (LCMSF)


The local file and master file must be lodged in the approved form. The approved form follows the ATO-developed LCMSF XML schema.

The local file and master file may be lodged simultaneously or separately using the same XML file. The CBC report must be lodged separately.

The XML schema also contains questions in relation to your obligation to lodge the CBC report (that is, the CBC report notification).

### How to lodge

CBC reporting statements must be lodged through one of these channels:

- Online services for business using file transfer
- Online services for agents using file transfer
- [Standard Business Reporting](#)  (SBR) using SBR-enabled software.

Paper or email lodgments of CBC reporting statements will **not** be accepted.

When you lodge CBC reporting statements through one of the appropriate channels, you will receive a message from the channel indicating that your lodgment has been successfully **submitted**. This does not mean that your lodgment has been accepted in our systems, as it will be subject to further **validations**.

The validations performed by our internal systems seek to ensure that CBC reporting lodgments comply with the relevant schema requirements.

## Validation process

When the lodgment goes through the validation process by our internal systems, an email will automatically be sent – to the contact email address provided in the lodgment – within 3 working days.

## Outcome of lodgment

As long as a valid email address has been provided, the email you receive will do one of the following:

- Confirm that your lodgment has been accepted.
- Advise that your lodgment has **not** been accepted, with details of the errors that led to the lodgment failing validation. For further explanation, see **Guidance on lodgment errors**.
- Confirm that your lodgment has been accepted but we have found an issue with one or more entities listed in your documents – for example, other entities we have been unable to identify due to an incorrect name, tax file number (TFN), Australian business number (ABN) or both. These other entities may include
  - constituent entities within a CBC report
  - 'on behalf of entities' within a master file or CBC report notification (or both).



If you don't receive a lodgment confirmation email within 7 days of making your lodgment, contact the **CBC reporting team**. Penalties will **not apply** if you've lodged your CBC reporting statements by the due date but haven't received the lodgment confirmation email until after the due date.

### **Providing a valid email address**

To ensure that you receive an email confirming lodgment (or advising that your lodgment has not been accepted by our systems), you must provide a valid email address:

- In an LCMSF lodgment, this email address should be provided in the **LCMSF21** (Reporting entity email) or **LCMSF4** (Intermediary email) fields. If email addresses are provided in both fields, the confirmation of lodgment will be sent to the intermediary.
- In a CBC report lodgment, this email address should be provided in the **Contact** field. Note that more than one address can be provided in the Contact field. If this occurs, then the confirmation of lodgment will be sent to the first email address specified in this field.

### **IT support**

If you have trouble using Online service for agents, Online services for business or the Standard Business Reporting (SBR) channel when attempting to lodge your CBC report, contact your digital service provider.

If your digital service provider cannot resolve the issue, they will log a ticket with the Digital Partnership Office (DPO). When logging a ticket with DPO, your digital service provider will need to supply any message IDs or digital receipts (such as validation reports) received from SBR.

## **Amendments**

### **Local file**

To lodge an amended Part A, Part B, or short form local file, complete the component with the updated information and lodge using the same process as the original lodgment. The amended component will replace the original lodgment submitted and will be recorded as the 'latest' record. There is no need to replicate the other text that is not

being amended. It is just the amended component that needs to be recorded as part of the amendment process.

To amend an exemption to a local file from a 'No' to a 'Yes', ensure at least one other component of the LCMSF form is submitted – for example, any component of the local file not being amended, master file, or CBC report notification.

The local file / master file (LCMSF) schema has been designed in such a way that each of the components can be lodged independently of each other. This enables each of the LCMSF components (and amendments to those components) to be lodged at different times throughout the year. Accordingly, an amendment to Part A can be lodged on its own and will not override other LCMSF components.

### **Master file**

To amend a master file, complete the component with the updated information and lodge using the same process as the original lodgment. The amended component will replace the original lodgment submitted and will be recorded as the 'latest' record. Because of this functionality, all fields **must** be completed in the master file as this will replace the earlier document in our systems.

The LCMSF schema has been designed in such a way that each of the components can be lodged independently of each other. Accordingly, an amendment to the master file can be lodged on its own and will not override other LCMSF components.

### **CBC report notification**


To amend a CBC report notification, complete the full CBC report notification, which includes the amended and original fields. The amended CBC report notification will replace the original CBC report notification submitted and will be recorded as the 'latest' CBC report notification record. Because of this functionality, all fields **must** be completed in the CBC report notification as this will replace the earlier document in our systems.

To amend an exemption to a CBC report notification from a 'No' to a 'Yes', ensure at least one other component of the LCMSF form – for example, short form, Part A or B of the local file, or master file) – is submitted to avoid triggering a validation error. Note that this will be remedied in upcoming revisions to the schema.

The LCMSF schema has been designed in such a way that each of the components can be lodged independently of each other. Accordingly, an amendment to the CBC report notification can be lodged on its own and will not override other LCMSF components.

## **CBC report**

If you have a question about your CBC report amendments, contact your digital service provider (DSP) in the first instance. DSPs have designed their software in alignment with the OECD requirements and will understand the mechanics behind the form.


They can help you lodge a successful amendment, ensuring the information conforms to the amendment rules outlined in the [Country-by-country reporting XML schema: user guide for tax administration](#)  (See 'CBC Correction examples' on pages 28 to 36).

Further lodgment information is available [here](#).


## **Hints and tips**


### **Tips for lodging**

The following tips will help you lodge correctly:

- Check the details of the reporting entity and the details of any entities contained in your lodgment (name, ABN and TFN). These must match the details on our systems. Also check the name registered upon the entity's creation (for example, the ASIC registration or ABR registration).
- For an LCMSF lodgment, check that any attachments are in the correct format and have appropriate file names.
- For the CBC report, check that any identifiers – for example, DocRefIDs, MessageRefIDs, CorrDocRefIDs, CorrMessageRefIDs – are in the correct format, as set out in the [Country-by-country reporting XML schema: user guide for tax administrations](#) .
- We are unable to identify Australian company number (ACN) only entities when included in CBC reporting lodgments because the ACN entity will not have a record on our ATO systems. In this situation, you may receive a notification stating that lodgment was successful, but we are unable to match these entities. This means we have accepted the CBC reporting lodgment despite the inability to match the entity to ATO records and no further action is required.

## **Information to be included**


For the **CBC report**, we have adopted the information requirements as outlined in Annex III of the [OECD guidance](#)  on Action 13.

For the **master file**, we have adopted the information requirements as outlined in Annex I of the [OECD guidance](#)  on Action 13.


For the **local file**, refer to the local file instructions. New local file instructions are released each year. Make sure you're using the latest version when preparing your local file.

- [Local file/master file 2023](#)
- [Local file instructions 2023](#)
- [Local file/master file 2022](#)
- [Local file instructions 2022](#)
- [Local file/master file 2021](#)
- [Local file instructions 2021](#)
- [Local file/master file 2020](#)
- [Local file instructions 2020](#)
- [Local file/master file 2019](#)
- [Local file instructions 2019](#)
- [Local file/master file 2018](#)
- [Local file instructions 2018](#)
- [Local file – Part B: Guidance on providing international related party agreements](#)

## Automatic exchange of CBC reports

Australia is one of over 80 jurisdictions that have signed the CBC reporting [Multilateral Competent Authority Agreement](#)  (MCAA) to facilitate the exchange of CBC reports between tax authorities in different jurisdictions.

Australia sends and receives CBC reports no later than 15 months from the end of the reporting period. No notice of exchange is provided to CBC reporting entities. Relevant multinational groups should presume that exchange is occurring on this timeframe for all constituent entities covered by an activated exchange agreement.

Comprehensive information on the activated exchange relationships between all participating jurisdictions, including Australia, is available on the OECD web page, [Country-by-country reporting exchange relationships](#) . This includes details about the date of effect of an activated agreement. It also lists non-reciprocal jurisdictions that will provide CBC reports to a jurisdiction but have chosen not to receive CBC reports from a jurisdiction.

The MCAA does not facilitate the automatic exchange of local file and master file reports.

In circumstances where the CBC reporting parent (or global parent entity) operates in a jurisdiction that is not a party to the MCAA, exchange can still occur under bilateral agreements. This includes Australia's tax treaties and **Tax information exchange agreements**. Australia currently has **bilateral exchange arrangements** in place with:

- Taiwan
- United States.

In circumstances where the CBC reporting parent (or global parent entity) operates in a jurisdiction that does not have an active exchange relationship with Australia for the CBC report, the global group could choose to file the CBC report in another jurisdiction that will exchange with Australia. This is sometimes called 'surrogate parent filing'.

## **Supporting material and resources**



### **General guidance**

To assist you in meeting your obligations under subdivision 815-E of the *Income Tax Assessment Act 1997*, our **general guidance on CBC reporting** outlines our administrative practice, including information on:








- CBC reporting obligations (restructures, accounting and tax consolidated groups)
- exemptions (including transfer relief)
- administrative matters (including extensions, local file administration solution, replacement reporting periods)
- instructions for the CBC report
- instructions for the master file

- instructions for the local file
- document formats.

## Legislation

- [Treasury Laws Amendment \(2020 Measures No. 1\) Bill 2020](#) 
- Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015 – Explanatory Memorandum
- [Report on Tax Laws Amendment \(Combating Multinational Tax Avoidance\) Bill 2015 \[Provisions\]](#)  – Senate Standing Committees on Economics
- Income Tax Assessment Act 1997

## OECD guidance

- [Country-by-country reporting: Handbook on effective implementation](#) 
- [Country-by-country reporting: Handbook on effective tax risk assessment](#) 
- [Guidance on the appropriate use of information contained in country-by-country reports \(PDF, 174KB\)](#) 
- [Guidance on country-by-country reporting: BEPS Action 13](#) 
- [Action 13: Country-by-country reporting implementation package \(PDF, 991KB\)](#) 
- [Action 13: Guidance on transfer pricing documentation and country-by-country reporting \(PDF, 534KB\)](#) 
- [Transfer pricing documentation and country-by-country reporting \(Action 13 – 2015 final report\)](#) 
- [OECD releases standardised electronic format for the exchange of BEPS country-by-country reports](#) 

## Contact us

If you have any questions or feedback, contact the CBC reporting team at [CBCReporting@ato.gov.au](mailto:CBCReporting@ato.gov.au).

## **Country-by-Country Reporting Guidance**



Guidance on country-by-country reporting in Australia.

---

## **Guidance on Local File Part B**



Guidance on the provision of IRP agreements as part of Part B of the local file for CbC reporting.

---

## **Guidance on lodgment errors**



Guidance for common errors when lodging country-by-country (CBC) reporting statements.

---

## **Local file-master file 2017**



An in-depth description and explanation of the information requirements of the local file master file for 2017.

---

## **Local file instructions 2017**



Use these instructions to help you complete the local file as part of your Country-by-Country reporting obligation.

---

## **Local file-master file 2018**



An in-depth description and explanation of the information requirements of the local file and master file for 2018.

---

## **Local file instructions 2018**



Use these instructions when completing the 2018 local file as part of your country-by-country reporting obligations.

---

## **Local file-master file 2019**



A detailed description about the design and requirements of the local file and master file for 2019.

---

## **Local file instructions 2019**



Use these instructions when completing the 2019 local file as part of your Country-by-Country reporting obligations.

---

## **Local file-master file 2020**



A detailed description about the design and requirements of the local file and master file for 2020.

---

## **Local file instructions 2020**



Use these instructions when completing the 2020 local file as part of your country-by-country reporting obligations.

---

## **Local file-master file 2021**



A detailed description about the design and requirements of the local file and master file for 2021.

---

## **Local file instructions 2021**



Use these instructions when completing the 2021 local file as part of your country-by-country reporting obligations.

---

## **Local file-master file 2022**



A detailed description about the design and requirements of the local file and master file for 2022.

---



## Local file instructions 2022



Use these instructions to help you complete your 2022 local file for your country-by-country (CBC) reporting obligations.

## Local file-master file 2023



A detailed description about the design and requirements of the local file and master file for 2023.

## Local file instructions 2023



Use these instructions when completing the 2023 local file as part of your country-by-country reporting obligations.

## Local file/master file 2024



A detailed description about the design and requirements of the local file and master file for 2024.

QC 45101

# Local file – Part B: Guidance on providing International Related Party agreements

Guidance on the provision of IRP agreements as part of Part B of the local file for CbC reporting.

Last updated 3 March 2017

## On this page

[General principles on providing IRP agreements](#)

## What comprises written agreements in various scenarios?

### Relevant Agreement Series

### The principles for determining a material representative agreement in selecting the agreement documentation provided at Part B for a RAS

### Special rules that apply to OBUs and banks

1. Copies of IRP agreements generally need to be provided in Part B for the transactions shown at Part A of the local file which are not covered by the Exclusions List.
2. A key design feature of the local file is the requirement to show values in Part A and provide agreements in Part B for individual transactions unless the transaction is covered by one of the eight categories on the Exclusions List. This transaction level reporting design feature is expected to significantly improve the ATO's ability to undertake high level risk assessment of profit shifting through related party transactions.
3. The rules in this guidance seek to balance the function of the local file and the compliance costs associated with providing agreement documentation in Part B of the local file. Accordingly the ATO will not require all of the agreement documentation for transactions shown at Part A for agreements included in a Relevant Agreement Series (RAS).
4. The rules have been developed to reduce compliance costs while not inadvertently creating opportunities for non-disclosure of potentially significant profit shifting risks through aggregating transactions. For example, the RAS rules are designed so that certain kinds of agreements cannot be aggregated, in particular:
  - a. agreements for financing transactions involving different currencies or different express tenors or duration cannot be aggregated, except to the extent permitted under the special rules for banks
  - b. agreements covering derivative, guarantee/indemnity or insurance/reinsurance transactions that hedge, guarantee or insure specific exposures, liabilities or risks which arise in connection with the Reporting Entity's related party dealings cannot be aggregated with agreements for other derivatives, guarantees/indemnities or insurance/reinsurance

c. for Reporting Entities that are an offshore banking unit (OBU), agreements for transactions which are OB activities (taxable or deductible at the special concessional income tax rate of 10%) cannot be aggregated with agreements for transactions which are non-OB activities (taxable or deductible at the normal corporate income tax rate, currently 30%).

5. Outlined below are:

- [General principles on providing IRP agreements](#)
- [What comprises written agreements in various scenarios?](#)
- [Relevant Agreement Series](#)
- [The principles for determining a material representative agreement in selecting the agreement documentation provided at Part B for an RAS](#)
- [Special rules that apply to OBUs and banks](#)

## **General principles on providing IRP agreements**

### **Written agreement is provided in connection with information provided in Part A for relevant IRP transaction**

6. The local file has been designed so that, unless a transaction is on the Exclusions List, the values shown in Part A of the local file for a particular transaction are linked with either:
- a. an agreement provided in Part B or an identified agreement previously provided to the ATO, or
  - b. an indication by the Reporting Entity in Part B that either
    - I. there is no written agreement documentation covering the transaction shown at Part A, or
    - II. the Reporting Entity is not able to obtain from any of the related counterparties the written agreement documentation covering the transaction shown at Part A.

7. If a single written agreement covers more than one kind of transaction category then:
  - a. the information required in Part B will need to be provided for each kind of transaction category covered by the agreement
  - b. each of the transactions shown in Part A will need to be linked to the written agreement provided in Part B of the local file.

### **Information to enable identification is needed where written agreements have already been provided to the ATO**

8. Agreements for transactions shown at Part A that have already been provided to the ATO do not need to be provided again. However the following information must be provided in Part B to ensure the ATO can identify the correct agreement:
  - a. the title of the agreement
  - b. the year in which the agreement was provided to the ATO.
9. If the agreements that have already been provided to the ATO have subsequently been amended and the amendment agreements have not been provided to the ATO, the amendment agreements or the original agreement incorporating the amendments need to be provided at Part B.

### **No requirement to create written agreement but must indicate in Part B if no written agreement exists**

10. Reporting Entities are not required to create written agreement documentation solely for the purposes of Part B of the local file. However, if there is no written agreement documentation, the Reporting Entity must indicate that there is no written agreement in Part B.

### **Must indicate if written agreement cannot be obtained by Reporting Entity from related overseas**

## counterparty

11. If there is written agreement documentation but the Reporting Entity is not able to obtain this from the related overseas counterparty, the Reporting Entity is required to indicate this in Part B.

## What comprises written agreements in various scenarios?

12. It is expected it will often be the case that all the terms of an international related party dealing (IRPD) will be evidenced in a single executed written agreement between a Reporting Entity and its overseas related parties. In this common scenario, the executed written agreement should be provided in Part B.
13. However, if the terms of an IRPD have been amended by written agreement before or during the income year, the executed amendment agreement(s) or the original agreement incorporating the amendments should also be provided in Part B.
14. Where an agreement contemplates that specific terms will be agreed between the parties in another agreement(s), the agreement documentation for the transaction must include the other written agreement(s). For example:
  - a. a written 'Confirmation' agreeing the terms of a derivative will be provided together with the International Swaps and Derivatives Association (ISDA) master agreement or other agreement setting out the general terms agreed to apply for any derivative that is contracted between the parties
  - b. written agreements for the supply of services, goods or other property ordered or supplied in accordance with an overarching agreement setting out general terms or processes for the supply will be provided together with the overarching agreement.

### Example

Foreign Co and its subsidiary, Australia Co, have entered into an overarching agreement for Australia Co to sell aluminium and aluminium alloys to Foreign Co. The agreement provides that

Australia Co will sell the aluminium as ordered by Foreign Co in accordance with the terms of the overarching agreement. During the income year, in accordance with the relevant terms of the agreement, Foreign Co orders 1,000 tonnes of aluminium and Australia Co and Foreign Co enter into specific written agreements in relation to this sale.

In Part A of the local file, Australia Co shows the required information for the sale of aluminium to Foreign Co using the transaction category 'Tangible property of a revenue nature'.

In Part B of the local file, Australia Co provides, in connection with this transaction, the overarching agreement and the specific agreements for the sale by Australia Co to Foreign Co.

15. Where there is no agreement documentation for the transaction shown at Part A, but the Reporting Entity has other documents which record the terms of the agreement, the Reporting Entity has the option of providing these other documents in Part B.
16. If this scenario applies and the Reporting Entity chooses to use this option, the Reporting Entity will:
  - a. indicate in Part B there is no written agreement documentation covering the transaction shown at Part A
  - b. provide the other documents recording the terms of the agreement.

## Example

During the income year Foreign Co lends Australian dollars to its subsidiary, Australia Co. There is no agreement documentation for the loan between Foreign Co and Australia Co. However Australia Co has an email record in its systems that outlines the terms of the loan provided by Foreign Co, being A\$100 million for a term of one year at a fixed rate of 3%.

In Part A of the local file, Australia Co shows the required information for the borrowing under the loan from Foreign Co using the transaction category 'Ordinary borrowings'.

In Part B of the local file, Australia Co may choose to provide in connection with the transaction the email record in Australia Co's systems of the terms of loan from Foreign Co.

If Australia Co chooses to provide this record of the terms of the loan in its systems, Australia Co will:

- indicate in Part B there is no written agreement documentation covering the loan transaction shown at Part A
- provide the email record in its systems of the terms of the loan in Part B.

If Australia Co does not choose to provide this record of the terms of the loan in its systems, Australia Co will indicate in Part B there is no written agreement documentation covering the loan transaction shown at Part A.

## Relevant Agreement Series

17. A Relevant Agreement Series (RAS) is a repeating series of transactions or dealings on revenue account between the Reporting Entity and the same IRP entity on the same terms except only for date, volume, price and delivery.
18. For these kinds of transactions, an additional condition needs to be satisfied:
  - a. derivatives
  - b. guarantees or indemnities
  - c. insurance or reinsurance.

In these cases refer to [RAS Condition 4](#).

19. Where an IRP agreement forms part of a RAS:
  - a. in Part A, the values for each kind of **transaction category** covered by the RAS are aggregated
  - b. the criteria in the Exclusions List are applied on the basis of the aggregated amounts

- c. in Part B, written agreement documentation only needs to be provided for a material representative agreement in the RAS that was current during the income year.

## What qualifies as a RAS?

- 20. For an agreement series to qualify as a RAS, these four conditions must be met:
  - a. agreements must be with the same IRP
  - b. agreements must be on the same terms except for date, volume, price and delivery
  - c. the transactions covered by the agreement must be on revenue account
  - d. derivative, guarantee/indemnity or insurance/reinsurance agreements hedging, guaranteeing or insuring specific exposures, liabilities or risks arising in connection with the Reporting Entity's related party dealings cannot be included in the same RAS as other derivative, guarantee/indemnity or insurance/reinsurance agreements.
- 21. The principles for determining a [material and representative agreement](#) of a RAS are outlined below at paragraphs 42–43.
- 22. There are also [special rules](#) if the Reporting Entity is an OBU or a bank:
  - a. the special rules for OBUs with respect to OB and non-OB activities are outlined below at paragraph 45
  - b. the special rules for Condition 2 with respect to ordinary borrowings and loans, qualifying short term derivatives and qualifying FX derivatives of banks are outlined below at paragraphs 46–57.

### **RAS Condition 1 – agreements are with the same IRP**

- 23. The RAS will only include agreements between the same parties.
- 24. Where the IRP agreement is between more than two parties, this condition means that all of the parties to the agreement must be



the parties to all the other agreements in order for the agreements to qualify as a RAS.

## **RAS Condition 2 – agreements on same terms except for date, volume, price and delivery**

25. The RAS will only include agreements on the same terms except for date, volume, price and delivery.

### **Agreements on same terms except for date**

26. The reference to 'same terms except for date' means that the particular dates on which the agreement was entered into and obligations are fulfilled do not need to be the same. For example, the following dates do not need to be the same:

- a. when goods are delivered
- b. when services are provided
- c. when payments are made
- d. when property is transferred.

27. An agreement will not qualify as being part of a RAS if it does not have the same express tenor or duration. For example:

- a. an agreement under which a loan can only be redeemed by the lender after five years will not be considered to be on the 'same terms except for date, volume, price and delivery' as an agreement under which a loan can be redeemed by the lender after one year.
- b. an AUD/USD forward exercisable in nine years and 11 months after its date of effect will not be considered to be on the 'same terms except for date, volume, price and delivery' as an AUD/USD forward exercisable in three months after its date of effect.

Accordingly, these agreements cannot form part of the same RAS.

### **Agreements on same terms except for delivery**

28. The reference to 'same terms except for delivery' means there may be variation in the means by which goods or services provided or obtained under the agreements are delivered. For example,

agreements to purchase the same kinds of goods which would otherwise be in the same RAS will not fail RAS Condition 2 merely because one of the agreements provides for delivery by ship to the Port of Sydney and another agreement provides for delivery by ship to the Port of Wollongong.

### **Agreements otherwise on same terms**

29. An agreement will not be on the same terms as another agreement merely because the transaction occurring under both agreements is of the same Table 4 Transaction Category, for example, a fixed-for-floating interest rate swap.
30. RAS Condition 2 also means that a RAS will not include agreements on reverse, or mirror, terms. For example, the following agreements cannot be aggregated for Part A or otherwise included together under a RAS, even if the terms of the agreements are a perfect mirror or reverse of each other:
  - a. an interest rate swap where the Reporting Entity pays floating payments and receives fixed payments cannot be aggregated with an interest rate swap where the Reporting Entity pays fixed payments and receives floating payments.
  - b. a borrowing by the Reporting Entity cannot be aggregated with a loan by the Reporting Entity.
  - c. a purchase of goods cannot be aggregated with a sale of the same kind of goods.
31. Other examples of IRPDs that will not be considered to be 'on the same terms except for date, volume, price and delivery' include:
  - a. agreements for sale or purchase of different kinds of tangible property – refer to paragraphs 32–34 below
  - b. agreements granting rights to use different intellectual property, for example, different patents
  - c. agreements covering financial dealings in different currencies, for example, a loan of Australian dollars versus a loan of US dollars, or a USD/AUD forward versus a Euro/AUD forward
  - d. agreements for raising funds in different ways, for example, borrowing under a loan versus obtaining funds by issue of promissory notes

- e. agreements providing guarantee, indemnity or insurance of a different kind of liability or risk, for example, an indemnity of liabilities arising under warranty of products sold to Australian customers versus an indemnity of loans provided to Australian customers
- f. agreements that have different express provisions for termination or damages, for example, agreements that provide for termination by a party only upon payment default versus agreements that may be terminated by a party other than upon default
- g. agreements that are expressly able to be assigned versus agreements that expressly provide they are not able to be assigned.

**Agreements for sale or purchase of same kind of goods, commodities or raw materials**

- 32. Agreements will not be treated as for the sale or purchase of different kinds of tangible property merely because the agreements cover different particular goods, commodities or raw materials, as long as the goods, commodities and raw materials are of the same kind.
- 33. For example, agreements covering the following kind of goods, commodities or raw materials may be included in a RAS if the RAS Conditions are otherwise satisfied:
  - a. agreements for the sale or purchase of different specific blends of refined oil
  - b. agreements for the sale or purchase of different qualities or physical condition of brown coal
  - c. agreements for the sale or purchase of different models of refrigerators and freezers
  - d. agreements for the sale or purchase of similar kinds of pharmaceutical products.
- 34. Examples of agreements that would not be treated as for the sale or purchase of the same kind of goods, commodities or raw materials include:

- a. an agreement for the sale or purchase of aluminium versus copper
- b. an agreement for the sale or purchase of bauxite versus aluminium
- c. an agreement for the sale or purchase of refrigerators versus computers
- d. an agreement for the sale or purchase of various over-the-counter medications versus various medical devices.

### **Special rules for banks in relation to RAS Condition 2**

35. Special rules apply to banks which permit, subject to certain conditions, the inclusion of the following transactions in a single RAS if the RAS conditions are otherwise met:
- a. short term derivatives with different tenors
  - b. short term ordinary borrowings or ordinary loans with different tenors
  - c. qualifying FX derivatives with differing currency pairs.

This means that a [variation of RAS Condition 2](#) may apply to a bank's qualifying derivatives, loans or borrowings (see paragraphs 46-57 below).

### **RAS Condition 3 – The transactions covered by the agreement must be on revenue account**

36. The transactions covered by the agreement must be on revenue account. Transactions of a capital nature for Australian tax purposes do not qualify for inclusion in a RAS. For example, the assignment of a patent to an IRP cannot be included in a RAS if the assignment is on capital account for taxation purposes.
37. The distinction between a transaction on revenue account and a transaction on capital account for Australian income tax purposes is explained in the instructions to Question 13 of the International Dealings Schedule (IDS):

Whether dealings are capital or revenue in nature is a matter to be decided based on the facts and circumstances of each case. The

leading Australian case on this topic is *Sun Newspapers Ltd and Associated Newspapers Ltd v FC of T* (1938) 61 CLR 337; 5 ATD 87. This case established that expenditure incurred in establishing, replacing and enlarging the profit yielding structure (i.e. the business entity/structure) is of a capital nature and should be contrasted with working or operating expenses incurred to operate the business or profit yielding structure. The test laid down in the Sun newspapers case requires the following three factors to be considered and weighed in deciding whether expenditure is capital or of a capital nature:

The nature of the benefit or advantage obtained or secured by the incurrence of the expenditure, for example, whether the expenditure secures an enduring benefit.

The manner in which the benefit or advantage so obtained or secured is to be relied upon or enjoyed.

The means adopted to obtain or secure the benefit or advantage.

There are many other decisions of the Australian courts applying these principles in *Sun Newspapers* to various cases. For more information, refer to **ATO guidance** such as taxation rulings. We strongly recommend that you obtain appropriate guidance or professional advice in relation to the particular facts and circumstances of your case.

#### **RAS Condition 4 – Derivatives / guarantees / insurance for Reporting Entity’s related party exposures / liabilities / risk cannot be included in same RAS as other derivatives / guarantees / insurance**

38. Agreements for derivatives, guarantees/indemnities or insurance/reinsurance that are hedging, guaranteeing or insuring specific exposures, liabilities or risks arising in connection with the Reporting Entity’s related party dealings cannot be included in the same RAS as:
- a. agreements for derivatives which are not hedging or offsetting specific liabilities or exposures, or
  - b. agreements for derivatives, guarantees/indemnities or insurance/reinsurance that are hedging, guaranteeing or insuring specific kinds of exposures, liabilities or risks which are not exposures, liabilities or risks arising in connection with the Reporting Entity’s related party dealings.

39. For the purpose of applying RAS Condition 4, agreements for derivatives, guarantees/indemnities or insurance/reinsurance that are hedging, guaranteeing or insuring specific exposures, liabilities or risks arising in connection with the Reporting Entity's related party dealings will not include:
- a. agreements for derivatives hedging or offsetting specific exposures or liabilities of the IRP derivative counterparty arising in connection with a related party transaction which is not with the Reporting Entity (or a member of the Reporting Entity's Australian consolidated or MEC group)
  - b. agreements for guarantees or indemnities where the Reporting Entity guarantees or indemnifies a liability of the IRP counterparty arising in connection with a related party dealing which is not with the Reporting Entity (or a member of the Reporting Entity's Australian consolidated or MEC group)
  - c. agreements for insurance or reinsurance where the Reporting Entity provides insurance or reinsurance to the IRP counterparty to insure or reinsure risks arising in connection with a related party dealing which is not with the Reporting Entity (or a member of the Reporting Entity's Australian consolidated or MEC group).

### **Consequences of an IRP agreement being part of a RAS**

40. The consequences of an IRP agreement forming part of a RAS are:
- a. the Reporting Entity must show the aggregated values at Part A for all the agreements in the RAS in relation to each Table 4 Transaction Category covered by the agreement (subject to the special rule for OBUs that OB activities and non-OB activities cannot be aggregated)
  - b. in Part A, the Reporting Entity must indicate
    - I. the transaction details shown at Part A for the relevant Table 4 Transaction Category are part of a RAS and whether one of the special rules for banks has been applied
    - II. which of the following number bands represent the number of agreements in the RAS during the income year
      - I. 1-5

II. 6–50

III. 51 or more

III. if the Reporting Entity is an OBU under subsection 128AE(2) of the *Income Tax Assessment Act 1936* (ITAA 1936) or section 717-710 of the *Income Tax Assessment Act 1997* (ITAA 1997), whether the transactions at Part A are an OB activity under sections 121D and 121EAA of the ITAA 1936

c. in Part B, the Reporting Entity is only required to provide written agreement documentation for a material representative agreement in the RAS.

41. Refer to paragraphs 42-43 below for the principles for determining material representative agreements.

## **The principles for determining a material representative agreement in selecting the agreement documentation provided at Part B for a RAS**

42. A consequence of an agreement being part of a RAS is that the Reporting Entity will only be required to provide written agreement documentation for a material representative agreement in the RAS in Part B for the associated transaction in Part A.

43. The principles for determining a material representative agreement are:

- a. the documentation for the agreement does not contain materially fewer terms and conditions than documentation for other agreements in the RAS
- b. the documentation for the agreement is not expressed in a more abbreviated or summarised form than documentation for other agreements in the RAS
- c. the agreement documentation is for an agreement which fairly reflects the size and impact of the agreements in the RAS.

## **Special rules that apply to OBUs and banks**

44. Special rules apply to certain transactions where the reporting entity is an OBU or a bank.

### **OBUs: OB and non-OB activity**

45. Where a Reporting Entity is an OBU under subsection 128AE(2) of the ITAA 1936 or section 717-710 of the ITAA 1997, agreements for transactions which are OB activities cannot be included in the same RAS as agreements for transactions which are not OB activities. This means that any agreement for a transaction which constitutes an OB activity under section 121D of the ITAA 1936 cannot be included in the same RAS as an agreement for a transaction which the Reporting Entity has chosen to not be an OB activity under section 121EAA.

### **Banks and short term ordinary borrowings and ordinary loans: variation of RAS Condition 2**

46. A special rule applies to banks which permits the inclusion of ordinary borrowings and ordinary loans with different tenors in a single RAS where:
- a. the borrowings or loans are not at call or repayable on demand by the lender
  - b. the tenor of the borrowings or loans is 12 months or less.
47. Where this special rule applies, RAS Condition 2 will be that agreements are on the same terms except for date, volume, price, delivery and tenor.
48. This special rule can only be used where the Reporting Entity or a member of the Reporting Entity's consolidated group has an unconditional or a conditional Australian banking licence.
49. In Part A, the Reporting Entity will indicate if the special short term tenor rule for banks has been applied.

### **Banks and short term derivatives: variation of RAS Condition 2**



50. A special rule that applies to banks permits the inclusion of derivatives with different tenors or durations in a single RAS for derivatives with a tenor or duration of 12 months or less.
51. Where this special rule applies, RAS Condition 2 will be that agreements are on the same terms except for date, volume, price, delivery and tenor.
52. This special rule can only be used where the Reporting Entity or a member of the Reporting Entity's consolidated group has an unconditional or a conditional Australian banking licence.
53. In Part A, the Reporting Entity will indicate if the special short term tenor rule for banks has been applied.

## **Banks and FX derivatives: variation of RAS Condition 2**

54. A special rule applies to banks which permits the inclusion of qualifying FX derivatives with differing currency pairs in a single RAS. Where this special rule applies, RAS Condition 2 will be that agreements are on the same terms except for date, volume, price, delivery and currency pair.
55. The conditions for applying this special rule are:
  - a. the Reporting Entity or a member of the Reporting Entity's consolidated group must have an unconditional or a conditional Australian banking licence
  - b. the internal rules of the Reporting Entity's global group must provide that an entity (FX management entity) in the global accounting consolidated group is responsible for pooling and externally hedging the banking group's FX risk
  - c. the FX management entity enters into FX derivatives that back out, to the FX management entity, the FX exposure for third party customer exposures of the related counterparty (qualifying FX derivatives).
56. The reason why this special rule applies to banks is that banks are the market makers in relation to FX derivatives and are required to manage exposure to a wide range of different currencies as a

consequence of their banking customers' currency needs and exposures.

57. In Part A, the Reporting Entity will indicate if the special currency pair rule for banks has been applied.

QC 51407

## Guidance on lodgment errors

Guidance for common errors when lodging country-by-country (CBC) reporting statements.

Last updated 24 November 2022

### On this page

[Local file and master file \(LCMSF\) lodgment errors](#)

[CbC report lodgment errors](#)

This page provides guidance on common errors when lodging country-by-country (CBC) reporting statements.

## Local file and master file (LCMSF) lodgment errors

If your country-by-country (CBC) reporting documents (your CbC report, master file and local file) contain errors, your lodgment may fail our automatic validation processes.

The following errors could lead to your local file or master file (LCMSF) lodgment failing validation and not being accepted into our systems.

**Table 1: Local file and master file (LCMSF) lodgment errors**

Error	What this error	Action required
-------	-----------------	-----------------

<b>code</b>	<b>means</b>	
<b>E001</b>	One or more attachments are not properly encoded.	Check that all attachments are properly encoded and re-submit.
<b>E002</b>	One or more attachments are corrupt.	Check that all attachments are not corrupt and re-submit.
<b>E003</b>	One or more attachments are not in the accepted format.	<p>Check that any attachments are in the accepted format. The accepted attachment formats are:</p> <ul style="list-style-type: none"> <li>• DOC</li> <li>• DOCX</li> <li>• Office Open XML</li> <li>• XLS</li> <li>• XLSX</li> <li>• PDF</li> <li>• ODT</li> <li>• ODS.</li> </ul>
<b>E004</b>	One or more attachments do not contain acceptable filenames.	<p>Check that any attachment filenames:</p> <ul style="list-style-type: none"> <li>• are unique</li> <li>• do not exceed 255 characters</li> <li>• do not contain invalid characters (&lt;, &gt;, :, ", /, \,  , ?, *).</li> </ul>
<b>E005</b>	One or more attachments contain embedded documents.	Check attachments and ensure embedded documents are not included in any attachments.

		The embedded documents can be submitted as separate attachments in the lodgment.
<b>E006</b>	The lodgment contains character sets that do not follow UTF-8 character encoding.	Check your lodgment and ensure it does not include any non UTF-8 characters.
<b>E007</b>	The name/ABN/TFN of the Reporting entity do not match the details in our systems.	Check the details in the following fields: <ul style="list-style-type: none"> <li>• LCMSF8 (Reporting entity name)</li> <li>• LCMSF7 (Reporting entity ABN)</li> <li>• LCMSF65 (Reporting entity TFN).</li> </ul>
<b>E008</b>	The lodgment has been received from a subsidiary member of an income tax consolidated group or multiple entry consolidated group.  <b>(Note:</b> This error will not apply if an entity has been a standalone entity for part of the year.)	Check reporting entity details to ensure the lodgment is being made by the head entity of the income tax consolidated group or multiple entry consolidated group.
<b>E009</b>	The reporting period start date and end date for the local file do not align with the reporting period of your income tax return.	Check the reporting period start date (LCMSF142) and end date (LCMSF143) align with your income tax reporting period.  <b>Note:</b> A 12-month reporting period is required to be used even if the local file covers a stub period. For example, a December balancer that





		joined an income tax consolidated group on 1 July 2019 should lodge the local file with the reporting period being 1 January 2019 to 31 December 2019.
<b>E027</b>	An incorrect ABN/TFN has been provided for the entity that is lodging the master file on your behalf.	Check the details of the entity that is lodging the master file in the fields LCMSF19 and/or LCMSF20.
<b>E028</b>	An incorrect ABN/TFN has been provided for the entity that is lodging the CbC report or CbC report notification on your behalf.	Check the details of the entity that is lodging the CbC report or CbC report notification in the fields LCMSF72 and/or LCMSF73.
<b>E030</b>	An incorrect ABN/TFN has been provided for one or more entities that you are lodging the master file and/or CbC report Notification on behalf of.	Check the details in the fields: <ul style="list-style-type: none"> <li>• LCMSF77 and/or LCMSF78 (for master file)</li> <li>• LCMSF115 and/or LCMSF116 (for the CbC report notification).</li> </ul>

## CbC report lodgment errors

The following errors could lead to your CbC report lodgment failing validation and not being accepted in our systems.

**Table 2: CbC report lodgment errors**

<b>Error code</b>	<b>What this error means</b>	<b>Action required</b>
-------------------	------------------------------	------------------------

E010	The name/ABN/TFN of the Reporting Entity do not match the details in our systems.	Check the Reporting Entity name and tax identification number (TIN) (for example, ABN or TFN) details.
E011	File Contains Test Data for Production Environment.	<p>Check that the lodgment does not contain any DocTypeIndic values in the range OECD11–OECD13.</p> <p><b>Note:</b> Further information is available in the <a href="#">CBC reporting status message XML schema: user guide</a> .</p>
E012	File Contains Production Data for Test Environment.	<p>Check that the lodgment, intended to be received in a test environment, only contains DocTypeIndic values in the range of OECD11–OECD13.</p> <p><b>Note:</b> Further information is available in the <a href="#">CBC reporting status message XML schema: user guide</a> .</p>
E013	A DocRefID has been used for more than one record.	Check that each DocRefID is only used once in the lodgment.
E014	The structure of one or more DocRefIDs is not in the correct format, as set out in the <a href="#">CBC reporting XML schema: user guide</a>  .	Check the structure of all DocRefIDs are in the correct format, as set out in the <a href="#">CBC reporting XML schema: user guide</a>  .
E015	One or more CorrDocRefIDs refers to an unknown record.	Check that any CorrDocRefID values used in the lodgment have corresponding previously lodged DocRefID values.

<b>E016</b>	The corrected record is no longer valid (invalidated or outdated by a previous correction message).	Check that the corrected DocRefID value is referencing the latest DocRefID for the data to be corrected.
<b>E017</b>	A CorrDocRefID has been specified for one or more new elements.	If a message contains a new element, check that a CorrDocRefID has not been specified for the new element.
<b>E018</b>	A CorrDocRefID has not been specified for one or more corrected elements.	If a message contains corrections, check that a CorrDocRefID has been specified for each correction.
<b>E019</b>	A CorrMessageRefID has been used in the DocSpec_Type.	Check there is no CorrMessageRefID in the DocSpec_Type element. This data element is not used for CBC reporting.
<b>E020</b>	A CorrMessageRefID has been used in the Message Header.	Check there is no CorrMessageRefID in the Message Header element. This data element is not used for CBC reporting.
<b>E021</b>	The resend option (OECD0) has not been used for the Reporting Entity element.	If using the resend option (OECD0), check that this is only being used for the Reporting Entity element.
<b>E022</b>	A deletion has been received for the Reporting Entity, however the deletion does not include all related CbCReports and AdditionalInfo.	If a lodgment contains a deletion for a Reporting Entity, check the deletion also includes all related CbCReports and AdditionalInfo.
<b>E023</b>	The lodgment contains a mixture of new records (OECD1) and corrections (OECD2)	Check that new records (OECD1) and corrections or deletions (or both) (OECD2 or OECD3) are not

	and/or deletions (OECD3).	contained in the same lodgment.
<b>E024</b>	One or more DocRefIDs has been corrected or deleted twice in the same lodgment.	Check that a DocRefID has not been used more than once in the same lodgment.
<b>E025</b>	An unknown DocRefID was specified for the resend option (OECD0).	If using the resend option (OCED0), check the details of the DocRefID and ensure that it is correct.
<b>E026</b>	The DocRefID specified for the resend option (OECD0) is no longer valid (invalidated or outdated by a previous correction message).	If using the resend option (OCED0), check the details of the DocRefID and ensure that the latest, non-corrected DocRefID is used.
<b>E029</b>	An incorrect name/ABN/TFN has been provided for one or more Australian constituent entities listed in your CbC report.	Check the name and tax identification number (TIN) details for the Australian constituent entities.  <b>Note:</b> Please provide a valid ABN or TFN with no space for the TIN.
<b>E031</b>	Invalid MessageRefID format	Check MessageRefID format. Format will depend on the schema version being used.
<b>E032</b>	MessageRefID has already been used	Check if the MessageRefID has already been used.
<b>E033</b>	Channels: The ReceivingCountry code must be "AU"  OECD & CbC_EDH: The received message is not meant to be received by the indicated jurisdiction	For domestic lodgers: both the transmitting and receiving country fields in the message specification need to be AU.  For international lodgers: AU needs to be listed in



		the receiving country field value(s)
<b>E034</b>	Invalid Message Type Indicator	Message Type Indicator must be CBC401 (new information) or CBC402 (corrections/deletions)
<b>E035</b>	Invalid Doc Type Indics for given Message Type Indic	<p>If Message Type Indicator is CBC401 the message can only contain Doc Type OECD0 (Resent Data) or OECD1 (New Data).</p> <p>If Message Type Indicator is CBC402 (correction/deletion) the message can contain only Doc Types OECD0 (Resent Data), OECD2 (Corrected Data) or OECD3 (Deleted Data).</p>

If you have any questions or feedback, contact the CbC Reporting team.

QC 61566

## COVID-19 economic impacts on transfer pricing arrangements

Information about the economic impacts of COVID-19 on transfer pricing arrangements.

Last updated 15 July 2020

### On this page

[How we assess the economic impacts of COVID-19 on transfer pricing arrangements](#)

[How to support the arm's length nature of your transfer pricing outcomes](#)

[PCG 2019/1 and COVID-19 impacts](#)

[Breaching an APA due to COVID-19](#)

[Those currently in an APA process without an agreed APA](#)

[Contact us](#)

This information aims to assist businesses economically affected by COVID-19 when preparing documentation on the arm's length nature of their transfer pricing arrangements.

It does not address whether related party arrangements that have been terminated, amended or replaced due to COVID-19, would satisfy arm's length conditions. If you are considering such changes to these arrangements, we encourage you to engage with us as early as possible.

## **How we assess the economic impacts of COVID-19 on transfer pricing arrangements**

The effects of COVID-19 on the Australian economy are not yet known or quantifiable and the impacts on specific industries and businesses will vary widely. We acknowledge that some businesses will be negatively affected by COVID-19, which may lead to a reduction in revenues, increased expenses, and changes to profit outcomes.

When undertaking transfer pricing compliance activities, we seek to understand the facts and the individual circumstances by assessing:

- the function, asset and risk profile of the Australian entity before and after COVID-19
- the economic circumstances, where the actual economic impacts of COVID-19 on the Australian operations should be outlined and evidenced – this may include a broader analysis of how the relevant industry has been affected
- the contractual arrangements between the Australian entity and its related parties, and if any obligations or material terms and conditions have been varied, amended or terminated

- evidence of the impact (if any) of COVID-19 on the specific product and service offerings of the Australian entity and how this has affected the financial results
- evidence of changes in business strategies as a result of COVID-19, including decisions made, outcomes sought and actions taken to give effect to those strategies.

Emphasis will be placed on gathering evidence to support any changes to, or impacts on, the business as a result of COVID-19. You should consider documenting these changes as they are considered and implemented.

## **How to support the arm's length nature of your transfer pricing outcomes**

Analyses of comparable company benchmarking may not reliably support arm's length outcomes of continuing transfer pricing arrangements where they are impacted by COVID-19, particularly in the short term.

On this basis, we will seek to understand the financial outcomes you would have achieved 'but for' the impact of COVID-19. This analysis may include:

- a detailed profit and loss analysis showing changes in revenue and expenses, with an explanation for variances resulting from COVID-19 – this may include a variance analysis of budgeted (pre-COVID) versus actual results
- details of profitability adjusted to where your outcome would have been if COVID-19 had not occurred – this should consider all factors that have a positive or negative impact on your profits and should be supported by evidence
- the rationale and evidence for any increased allocation of costs or a reduction of sales (and subsequent changes in operating margins) to the Australian entity, taking into consideration its function, asset and risk profile
- evidence of any government assistance provided or affecting the Australian operations.

## PCG 2019/1 and COVID-19 impacts

We are not currently seeking to review PCG 2019/1 due to the effect of COVID-19. We consider the appropriateness of PCGs where analysis or further benchmarking indicates there is a material movement in the information used to develop the risk assessment framework.

## Breaching an APA due to COVID-19

We understand that your business may be negatively affected by COVID-19.

For taxpayers with an advance pricing arrangement (APA) in place, this could potentially result in a breach of the critical assumptions in the APA. In those circumstances, we encourage you to proactively engage with us as soon as you become aware that a breach of the APA terms has occurred or is likely to occur. See [How to support the arm's length nature of your transfer pricing outcomes](#) for examples of areas of enquiry we may consider.

We will seek to understand the impact of the breach on the APA and consider appropriate outcomes. This could include:

- business as usual
- renegotiating the APA over the time period of the demonstrable impact
- suspending or modifying the APA for a set period.

## Those currently in an APA process without an agreed APA

If you are currently engaged with us in the APA process but don't have an agreed APA in place, we will continue to honour our commitment to work with you on your application. Standard APA processes and analyses apply where your economic performance is **not** significantly affected by COVID-19.

If you are significantly affected by COVID-19, it may be difficult to progress the APA application without objective evidence of any impact experienced or high uncertainty around potential outcomes.

In these cases, we'll discuss placing cases on hold or consider whether the APA process can be mutually ended. You can then lodge an APA application when you have a greater level of certainty on the impact.

Bilateral APAs will need to be considered in consultation with the corresponding jurisdictions.

## **Contact us**

If you have questions or require assistance, email us at [International@ato.gov.au](mailto:International@ato.gov.au). Alternatively, if you have a dedicated key relationship manager, you can contact them directly for assistance.

QC 63181

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

## **Copyright notice**

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).