

Rödl & Partner

BROADENING HORIZONS

Transfer Pricing China and Hong Kong (S.A.R.)



Transfer Pricing in China

Chinese Transfer Pricing ("TP") reporting requirements

<u>REQUIREMENT</u>		<u>APPLICATION SCOPE</u>	<u>DEADLINE</u>
Related party transaction disclosure forms		All companies / permanent establishment in China which is levied according to actual profits recorded in the bookkeeping	May 31, the following year
Contemporaneous TP Documentation	Master file	<ul style="list-style-type: none"> - Annual related party transactions over RMB 1 billion; or - Having cross-border related party transactions and the Master file is already available by the group level 	Within 12 months of the fiscal year ending of the ultimate shareholder
	Local file (companies only having domestic related party transactions are exempted)	<p>Taxpayers meeting ANY of the following criteria:</p> <ul style="list-style-type: none"> - Annual buy-sell transaction value over RMB 200 million; - Annual related party transaction for financial assets (e.g. share / debt transfer) value over RMB 100 million; - Annual related party transaction value for intangible ownership transfer over RMB 100 million; or - Annual aggregate value for other related party transactions (interests for inter-company loans) over RMB 40 million. 	June 30, the following year (should be submitted within 30 days upon request)



Chinese Transfer Pricing ("TP") reporting requirements

<u>REQUIREMENT</u>		<u>APPLICATION SCOPE</u>	<u>DEADLINE</u>
Contemporaneous TP Documentation	Special file (companies only having domestic related party transactions are exempted)	Taxpayers meeting ANY of the following criteria: <ul style="list-style-type: none"> - Participate in the group cost sharing arrangement; or - Exceed the related party debt / equity ratio (i.e. 5 for financial institutions and 2 for the other companies). 	June 30, the following year (should be submitted within 30 days upon request)
	Country-by-Country reporting ("CbC"-reporting)	<ul style="list-style-type: none"> - The taxpayer is the ultimate shareholder of a multinational group and has its total income of the consolidated financials over RMB 5.5 billion; or - The taxpayer is appointed by the multinational groups as the reporting entity for the CbC reports. 	Within 12 months of the fiscal year ending of the ultimate shareholder

Penalties for not fulfilling the reporting requirement

<u>REPORTING TYPE</u>	<u>PENALTY</u>
Related party transaction disclosure forms	<ul style="list-style-type: none"> - Penalty amount up to RMB 10,000 - High risk of being TP audited
Contemporaneous TP Documentation	<ul style="list-style-type: none"> - Penalty amount up to RMB 50,000 - Tax authority is entitled to perform the TP adjustments according to the deemed profit method - 5% penalty interest imposed on the additional tax liabilities resulted from the TP adjustments

Transfer Pricing in Hong Kong

Hong Kong Transfer Pricing ("TP") reporting requirements

	<u>REQUIREMENT</u>	<u>APPLICATION SCOPE</u>	<u>DEADLINE</u>
Contemporaneous TP Documentation	Master file and Local file (companies only having domestic related party transactions are exempted)	<p>Applies to a Hong Kong based entity of a multinational enterprise (MNE) group. Except for the fiscal years in which two of the following conditions are met:</p> <ul style="list-style-type: none"> - Entity's total revenue: Not more than HKD 400 million; - Entity's total assets: Not more than HKD 300 million; - Entity's average number of employees: Not more than 100. <p>If the volume of the following types of controlled transactions does not exceed the following thresholds, no documentation is necessary for that type of the transaction:</p> <ul style="list-style-type: none"> - Transfer of properties (whether movable or immovable but excluding financial assets and intangibles) is not more than HKD 220 million; - Transactions in respect of financial assets are not more than HKD 110 million; - Transfer of intangibles is not more than HKD 110 million; - Other transactions are not more than HKD 44 million. 	Within 9 months of the fiscal year end of the Hong Kong entity



Hong Kong Transfer Pricing ("TP") reporting requirements

<u>REQUIREMENT</u>		<u>APPLICATION SCOPE</u>	<u>DEADLINE</u>
Contemporaneous TP Documentation	Country-by-Country ("CbC") reporting	<ul style="list-style-type: none"> - The taxpayer is the ultimate shareholder of a multinational group and has its total income of the consolidated financials over HKD 6.8 billion for the preceding fiscal year; or - The taxpayer is appointed by the multinational group as the reporting entity for the CbC report. - Duty of notification: Hong Kong entity of a reportable group is required to file a notification within 3 months after the end of the relevant fiscal year containing the relevant information to determine the obligation to file a CbC report. 	Within 12 months of the fiscal year end of the ultimate shareholder

Penalties for not fulfilling the reporting requirement

<u>REPORTING TYPE</u>	<u>PENALTY</u>
Contemporaneous TP Documentation	<ul style="list-style-type: none"> - Penalty amount up to HKD 100,000 - For CbC reporting, an intent to defraud can lead to imprisonment up to 3 years - High risk of being TP audited



Our Professional Transfer Pricing Services

INTERNATIONAL PRESENCE – RÖDL & PARTNER TRANSFER PRICING GROUP

Insofar, the business area Transfer Pricing of Rödl & Partner has been strengthened on an international level by transfer pricing specialists in more than 40 countries.

We advise and support you with our industry expertise in the development of a transfer pricing strategy tailored to your business. Our services include the entire spectrum of transfer pricing advice and, in such context, in particular:



Service scope

PLANNING

- Analysis of existing transfer pricing systems under risk considerations
- Development of transfer pricing systems
- Selection and application of appropriate transfer pricing methods according to national and international transfer pricing standards
- Implementation of transfer pricing concepts from tax and legal perspective
- Design and roll-out of a group-wide transfer price guideline
- Conducting comparability analysis of e.g. prices, interests, licenses
- Support in (local) special matters (for instance business restructurings, recently incorporated local tax law to prevent BEPS structures)

DOCUMENTATION & COUNTRY-BY-COUNTRY REPORTING

- Establishment and preparation of international transfer pricing documentation concepts
- Review of existing documentation
- Preparation, converting and analyzing of CbC Reports
- Preparation of database and benchmark analyses
- Secure collaboration: Support of the documentation process with own share point solution RDoX (Rödl Documentation eXchange).
- Development and implementation of a coordinated documentation update

DEFENSE

- Identification of transfer pricing risks
- Support in domestic and foreign tax audits
- Modification and adaption of documentation as well as information filters considering auditor requests
- Coaching of transfer pricing representatives
- Advice in issues related to appeal proceedings
- Support in arbitration proceedings and mutual agreement procedures
- Advice in APA (Advanced Pricing Agreements)

SPECIAL TOPICS

- Transfer of functions and assets
- Permanent establishments
- Valuation of intangible assets
- Employee secondment
- Cost allocation systems
- Tax / transfer pricing due diligence
- Establishment and implementation of a transfer pricing risk management
- Quick and easy collection and analysis of data – joint collaboration with Rödl & Partners business intelligence (“BI”) consultants (e.g. for SAP and / or Microsoft Dynamics / Power BI)
- Collaboration with Rödl & Partners VAT and Customs experts

About us

As attorneys, tax advisers, management and IT consultants and auditors, we are present with more than 100 own offices in around 50 countries. Worldwide, our clients trust our more than 5,500 colleagues.

The history of Rödl & Partner goes back to its foundation as a solo practice in 1977 in Nuremberg. Our aspiration to be on hand wherever our internationally-active clients are led to the establishment of our first, own offices, commencing with Central and Eastern Europe in 1991. Alongside market entry in Asia in 1994, the opening of offices in further strategic locations followed, in Western and Northern Europe in 1998, USA in 2000, South America in 2005 and Africa in 2008.

Our success has always been based on the success of our German clients: Rödl & Partner is always there where its clients see the potential for their business engagement. Rather than create an artificial network of franchises or affiliates, we have chosen to set up our own offices and rely on close, multidisciplinary and cross-border collaboration among our colleagues. As a result, Rödl & Partner stands for international expertise from a single source.

Our conviction is driven by our entrepreneurial spirit that we share with many, but especially German family-owned companies. They appreciate personal service and value an advisor they see eye to eye with.

Our 'one face to the client' approach sets us apart from the rest. Our clients have a designated contact person who ensures that the complete range of Rödl & Partner services is optimally employed to the client's benefit. The 'caring partner' is always close at hand; they identify the client's needs and points to be resolved. The 'caring partner' is naturally also the main contact person in critical situations.

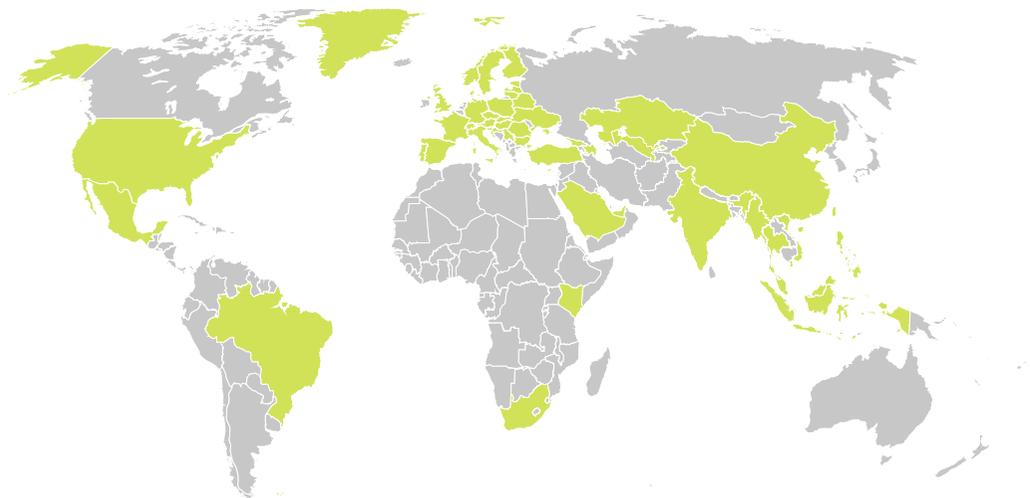
We also stand out through our corporate philosophy and client care, which is based on mutual trust and long-term orientation. We rely

on renowned specialists who think in an interdisciplinary manner, since the needs and projects of our clients cannot be separated into individual professional disciplines. Our one-stop-shop concept is based on a balance of expertise across the individual service lines, combining them seamlessly in multidisciplinary teams.

WHAT SETS US APART

Rödl & Partner is not a collection of accountants, auditors, attorneys, management and tax consultants working in parallel. We work together, closely interlinked across all service lines. We think from a market perspective, from a client's perspective, where a project team possesses all the capabilities to be successful and to realise the client's goals.

Our interdisciplinary approach is not unique, nor is our global reach or our particularly strong presence among family businesses. It is the combination that cannot be found anywhere else – a firm that is devoted to comprehensively supporting German businesses, wherever in the world they might be.



Your Contact in China



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