

# HONG KONG TAX

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## 2020 HONG KONG TRANSFER PRICING DOCUMENTATION DUE DATES



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For a Hong Kong entity that closes its accounts on 31 December 2019, it is time to plan ahead and prepare the three-tiered transfer pricing (TP) documentation if the relevant conditions are met. The due dates are as follows:

Particulars	Due date
File the 2019 Country-by-Country (CbC) Reporting Notification with the Inland Revenue Department (IRD)	Within 3 months after the year end date, ie by 31 March 2020
Get ready the Master file and Local file	Within 9 months after the year end date, ie by 30 September 2020
File the 2019 CbC Return (together with the CbC Report) with the IRD	Within 12 months after the year end date, ie by 31 December 2020

Below are the highlights of these TP documentation requirements.

### 1. CbC reporting notification and submission<sup>1</sup>

- If a Hong Kong entity belongs to a multinational enterprise (MNE) group that has constituent entities or operations in two or more jurisdictions and the consolidated group revenue for the year ended 31 December 2018 is at least HK\$6.8 billion, the Hong Kong entity has CbC Reporting obligations for the year 2019 in Hong Kong.
- All Hong Kong entities of a reportable group are required to file CbC Reporting Notifications with the IRD via the IRD's CbC Reporting Portal. If the group has more

than one Hong Kong entities, it may nominate one of them to be the reporting entity to file the CbC Reporting Notification for all Hong Kong entities.

iii. Filing of CbC Return & Report in Hong Kong is required if one of the following local filing conditions is met. Contact your advisor to get the updated exchange relationships between Hong Kong and other jurisdictions to ensure proper compliance with the reporting obligations.

- The Hong Kong reporting entity's ultimate parent entity (UPE) is not required to file a CbC Report in its jurisdiction of tax residence;
- The jurisdiction has a current international agreement with Hong Kong that allows automatic exchange of tax information but, by the deadline for filing the CbC Return, no exchange arrangement is in place between the jurisdiction and Hong Kong for CbC Reports;
- There has been a systemic failure to exchange CbC Reports by the jurisdiction, which has been notified to the Hong Kong reporting entity by the Commissioner of Inland Revenue.

- iv. Please note that if the UPE of a reportable group is tax resident in Hong Kong, it has the primary obligation to file the CbC Reporting Notification and CbC Return & Report.
- v. The filing position could become more complicated where the UPE and the Hong Kong entities adopt different year-end dates or where there are restructuring/merger during the year. Consult your advisor before you proceed.

## 2. Preparation of Master File and Local File

- Each Hong Kong entity is required to prepare Master File and Local File for the year 2019 if it does not meet at least 2 of the 3 business size-based exemption thresholds and conducts related party transactions exceeding any one of the volume-based related party transaction thresholds (see our [Hong Kong Tax Newsletter issued in July 2018](#)<sup>1</sup>).
- A Hong Kong entity that is exempted from preparation of Master File and Local File is still required to comply with the transfer pricing rules stipulated under the Inland Revenue Ordinance and shall keep documentation which can serve as evidence of proofing their transfer pricing treatments.

## 3. Due dates for entities with other financial year end dates

Particulars	Year ending 31 March 2020	Year ending 30 June 2020	Year ending 30 September 2020
File the CbC Reporting Notification	30 June 2020	30 September 2020	31 December 2020
Get ready the Master File and Local File	31 December 2020	31 March 2021	30 June 2021
File the CbC Return (together with the CbC Report) with the IRD	31 March 2021	30 June 2021	30 September 2021

### Action required

MNEs and their Hong Kong entities are recommended to constantly monitor their group's business as well as their related party transactions to ensure they are in compliance with Hong Kong's TP documentation requirements. Please contact us if you have any questions regarding this annual assessment process and how to better coordinate with the group headquarters and other group companies to comply with the three-tiered documentation requirements.

1. For more details of the TP documentation in Hong Kong, please refer to our *Hong Kong Tax Newsletter – July 2018*, [https://www.bdo.com.hk/getattachment/Insights/Publications/Hong-Kong-Tax/Hong-Kong-Tax-Newsletter-July-2018\\_-HK-BEPS\\_Law-\(FINAL\).pdf.aspx?lang=en-GB](https://www.bdo.com.hk/getattachment/Insights/Publications/Hong-Kong-Tax/Hong-Kong-Tax-Newsletter-July-2018_-HK-BEPS_Law-(FINAL).pdf.aspx?lang=en-GB)

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