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Global Tax Alert

News from Americas Tax Center
and Transfer Pricing

Chilean IRS modifies annual transfer pricing form

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The Chilean Internal Revenue Service (IRS) has modified Form 1907, the annual transfer pricing form. Specifically, the Chilean IRS modified how accrued interest is reported and added a new notification requirement for the country-by-country (CbC) report, among other changes.

Financial operations

The Chilean IRS requires accrued interest on loans or other financial operations outstanding during the reporting period to be reported, even if there is no accrued interest but there is an outstanding loan. In the latter case, the amount of interest must be reported as zero. The taxpayer, however, also must report information in the fields for the initial and current capital of the loan or other financial operation, the term, the rate type and the percentage rate applicable to the loan or other financial operation. This change requires taxpayers to report information on loans and other financial operations, even if they lack materiality.

Notification requirement for CbC report

The Chilean IRS added three new fields to Form 1907. These new fields require the taxpayer to report: (1) whether the group to which the taxpayer belongs must submit a CbC report; (2) which entity of the group is submitting the report and the country to which the entity is submitting the report; and (3) the Country code where the CbC report is submitted. Therefore, Chilean

subsidiaries of foreign groups will have to verify if the parent company submitted the CbC report and notify the Chilean IRS of the filing. The notification will provide the Chilean IRS with the information it needs when requesting or receiving the CbC report, in accordance with information exchange agreements. Taxpayers should pay special attention to the information reported on Form 1913, *Global Characterization of the Taxpayer*, so that information about the multinational group is consistent with Form 1907.

Other

The Chilean IRS made other changes related to the exchange rate, financial information to be used in the transfer pricing analysis, the format for expressing percentages, service codes, service charges for a current trade account, and some clarifications about the transfer pricing adjustments to be reported. The Chilean IRS also clarified the proper calculation for the company's operating margin, which the company must report at the end of Form 1907.

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