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Global Tax Alert

News from Transfer Pricing

Hong Kong requires taxpayers to disclose transfer pricing information in income tax return

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The Hong Kong Inland Revenue Department (IRD) announced on 23 January 2019 that, effective from the taxable year 2018, Hong Kong taxpayers are required to disclose certain related-party information and confirm their compliance with transfer pricing documentation requirements in their profits tax return.

Required disclosure includes the following information:

- ▶ Indication of Hong Kong Standard Industrial Classification Code
- ▶ Confirmation of the following:
 - Whether there have been any transactions with nonresident associated persons during the taxable year
 - Whether an advance pricing arrangement (APA) has been concluded for this taxable year
 - Whether the taxpayer belongs to a multinational enterprise group that has a Country-by-Country Reporting (CbCR) filing obligation in Hong Kong or elsewhere during the taxable year

If any of above three conditions are affirmed by the taxpayer, the taxpayer is also required to provide the following information:

- The residence of nonresident associated persons that are involved in related party-transactions with the taxpayer

- Whether the taxpayer is required to prepare a master file and local file
- Detailed information on the APA concluded, including APA reference number, whether the taxpayer has relied on the APA in preparing the tax return, whether there is any material change in the APA controlled transaction(s), and the total transaction amount relevant to the APA
- CbCR obligation, including whether notification has been made to the IRD by the taxpayer or its affiliated company in Hong Kong, and information on the ultimate parent entity or surrogate parent entity for CbCR purposes

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

Ernst & Young Tax Services Limited, Hong Kong

- ▶ David Chan david.chan@hk.ey.com
- ▶ Paul Ho, *Financial Services* paul.ho@hk.ey.com

Ernst & Young LLP, Hong Kong Tax Desk, New York

- ▶ Rex Lo rex.lo1@ey.com

Ernst & Young LLP, Asia Pacific Business Group, New York

- ▶ Chris Finnerty chris.finnerty1@ey.com
- ▶ Kaz Parsch kazuyo.parsch@ey.com
- ▶ Bee-Khun Yap bee-khun.yap@ey.com

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Transfer Pricing Group

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