



UK

WTS Global Country TP Guide

Last Update: September 2018

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	1999
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Which TP methods may be applied?	Consistent with the TP methods in the OECD Guidelines.
Are any TP methods preferred over others?	No
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	Only CbCR requirements have been implemented.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general.	<p>Legislation for accounting periods ending on or after 1 April 2010 (and income tax years 2010/11 onwards) is at Part 4 Taxation (International and Other Provisions) Act 2010 ('TIOPA10'). ICTA88/SCH28AA is the legislative basis for transfer pricing for earlier accounting periods ending on or after 1 July 1999 (and income tax years of assessment 1999/2000 onwards). S.164 of TIOPA 2010 provides that the legislation is to be construed in a manner that best secures consistency with: 1. The expression of the arm's length principle in Article 9 of the OECD Model Tax Convention on Income and on Capital ('Article 9') and 2. The guidance in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.</p> <p>The HMRC International Manual also provides guidance on record keeping for transfer pricing purposes. Evidence to demonstrate an "arm's length" result would need to be made available to HMRC in response to a legitimate and reasonable request in relation to a tax return that has been filed. Although the business would need to base relevant figures in its tax return on appropriate evidence, the material recording that evidence would not necessarily exist at the time the return was made in a form that could be made available to HMRC. The manual also states that whilst HMRC does not require a master file or local file to be prepared or filed with the CbC report, it remains a requirement that the transfer pricing documentation retained must adequately demonstrate that all transfer pricing meets the arm's length standard. Please note that although HMRC does not require the master file or local file to be prepared or filed, other tax authorities may have this requirement for entities in your multinational group in their jurisdiction.</p>
2. Master File (MF)	
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	N/A
As from which year does this obligation exist?	N/A

When does the Master File need to be available?	There's no specific requirement for Master File. However, evidence to demonstrate an "arm's length" result would need to be made available to HMRC in response to a legitimate and reasonable request in relation to a tax return that had been made.
When does it need to be submitted?	N/A
Does the MF have to be prepared in the relevant local language ?	N/A
Is documentation in English permissible?	N/A
What are the possible consequences of not having the MF available?	
Penalties?	N/A
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No
To which extent do the local rules differ from the OECD standard regarding the OECD content requirements for the MF as shown in the BEPS implementation overview chart?	N/A

3. Local File (LF)	
What is the threshold requirement for the obligation to prepare a LF?	<p>As discussed above, there is no formal local file requirement. However, evidence to demonstrate an "arm's length" result would need to be made available to HMRC in response to a legitimate and reasonable request in relation to a tax return that had been made.</p> <p>In addition please note that for the calculation of profits arising on or after 1 April 2004, TIOPA10/S166 provides an exemption from transfer pricing rules for the vast majority of transactions carried out by a business that is a small or medium sized enterprise. There are certain exceptions to the SME exemptions.</p> <p>What constitutes a small and medium sized enterprise for this purpose is a modification of the European recommendation (2003/361/EC).</p>
As from which year does this obligation exist?	N/A
When does the LF need to be available?	Evidence to demonstrate an "arm's length" result would need to be made available to HMRC in response to a legitimate and reasonable request in relation to a tax return that had been made.
When does the LF need to be submitted?	Upon request from HMRC.
Does the LF have to be prepared in the relevant local language?	Yes
Or is documentation in English permissible?	Yes
What are the possible consequences of not having the LF available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No

<p>To which extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?</p>	<p>It is generally consistent with OECD requirements.</p>
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4. Country-by-Country Reporting	
<p>What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?</p>	<p>EUR 750 million.</p>
<p>As from which year does this CbCR obligation exist?</p>	<p>The CbCR requirement applies to accounting periods commencing on or after 1 January 2016.</p>
<p>When and how do the tax authorities need to be notified who the reporting entity is?</p>	<p>Notification to HMRC is required via email (preferred) or post by the end of the relevant accounting using a template provided by HMRC.</p>
<p>If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?</p>	<p>12 months from the end of the relevant accounting period.</p>
<p>Where is the CbCR to be submitted ?</p>	<p>The CbCR is required to be submitted online using the Government Gateway ID and password. A CbC ID is required for submission.</p>
<p>How is the CbCR to be submitted, specifically, is there any prescribed standard?</p>	<p>It should be submitted online in XML format, following the OECD schema and HMRC rules.</p>
<p>What are the possible consequences of not having the CbCR available?</p>	
<p>Penalties?</p>	<p>Yes</p>
<p>Imprisonment?</p>	<p>No</p>
<p>Shifting of the burden of proof?</p>	<p>No</p>
<p>Other?</p>	<p>No</p>
<p>To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?</p>	<p>It is generally consistent with OECD requirements.</p>
<p>Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?</p>	<p>Yes</p>
<p>Did your country enter into other information exchange agreements, such as on a bilateral basis?</p>	<p>Yes</p>
<p>Please specify the country involved and date the agreement came into force.</p>	<p>UK implemented the European Union Automatic Information Exchange Directive (EU Directive 2016/881/EU).</p>
<p>Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?</p>	<p>Yes</p>

5. TP disclosure in tax return or transfer pricing specific returns

<p>Does a taxpayer need to disclose information regarding TP documentation in his tax return?</p>	<p>No</p>
<p>When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?</p>	<p>HMRC have the right to raise a discovery assessment with the following time limits:</p> <ul style="list-style-type: none"> • 4 years from the end of the tax year in which the further liability to tax arises where the loss of tax is not due to careless or deliberate behaviour; • 6 years from the end of the tax year in which the further liability to tax arises where the loss of tax is due to careless behaviour of the company or agent; • 20 years from the end of the tax year in which the further liability to tax arises where the loss of tax is due to deliberate behaviour of the company or agent. <p>In addition, intentionally submitting an incorrect tax return could be regarded as tax evasion which would constitute a crime. Legal consequences may range from (monetary) fines to imprisonment.</p>
<p>What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?</p>	<p>It is a crime to deliberately and dishonestly facilitate tax fraud.</p>
<p>Does a taxpayer need to file TP-specific returns?</p>	<p>No</p>

6. Benchmarking

<p>Is there any local guidance or requirement with regard to the preparation of a benchmark study?</p>	<p>No. It is generally consistent with the OECD guidance.</p>
<p>Are there any materiality thresholds that apply for the requirement to have a benchmark study available?</p>	<p>No</p>
<p>Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?</p>	<p>Yes</p>

7. Year-end adjustments

Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No

8. Transfer Pricing Audit and Dispute Resolution Mechanisms

What are currently the main TP areas of scrutiny by the tax authorities in your country?	Transfer pricing issues arising from Diverted Profits Tax enquiries
Based on your experience, are joint or multilateral audits initiated and carried out?	Yes
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes

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