

Country by Country Reporting under transfer pricing documentation requirements

BEPS initiative has designed to establish a common sense on taxation among the OECD countries. In the Action Plan 13 within BEPS, transfer pricing documentation consists three layers as Master File, Local File and Country-by-Country Reporting (CbCR). CbCR in brief consists of tables disclosing the income that the multinationals acquire on country basis, profits, assets owned, number of employees and taxes paid. The purpose of the country-based report is to ensure international transparency of the financial and tax results of multinational enterprises.

Through the Draft General Communiqué on Disguised Profit Distribution through Transfer Pricing Series No.3 promulgated by the Revenue Administration on 16 March 2016, a regulation on the country by country reporting has been handled. In this context, the first regulation on country-by-country reporting was entered into force in February 25, 2020 with the publication of the President's Decree No. 2151. The General Communiqué on Disguised Profit Distribution through Transfer Pricing Series No.4 which explains the details of the preparation of Country-by-Country Reporting was published in the Official Gazette dated September 1, 2020.

It has been decided to approve the Multilateral Competent Authority Agreement on The Exchange of Country-By-Country Reports (CbC MCAA) and published at the Official Gazette dated 01 October 2020. As of March 2021, Turkey shares information to 46 countries and receive information from 57 countries. In determining whether to submit a Country-by-Country Report notification in Turkey, it will be necessary to look at the list of countries that exchange information with Turkey on the OECD website.

According to BEPS Action 13 Final Report and local regulations, the Turkish resident ultimate parent entity or surrogate entity of a multinational enterprise group with consolidated group revenue of 750 million Euro or above should prepare a Country-by-Country Report by the end of the 12th month after the reporting accounting period and submit it to the Turkish Revenue Administration electronically. The CbC Report must be submitted through the TRA Information Transfer Platform (BTRANS) in XML format until 30 June 2021. In case of having more than one business in Turkey, it is sufficient to present one on behalf of the others.

Although certain uncertainties and criticisms on the mentioned latest documentation requirements and on timing exist, new country-by country reporting requirement is considered as a positive step for transfer pricing documentation in Turkey. In the upcoming period, it is expected for Turkey to have more information sharing agreements in terms of country-by-country reporting.

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