

Local File - High Level Design

- <http://agov-display-g2.prod.atohnet.gov.au/Business/International-tax-for-business/In-detail/Transfer-pricing/Country-by-Country-reporting/Local-File---High-Level-Design/> (<http://agov-display-g2.prod.atohnet.gov.au/Business/International-tax-for-business/In-detail/Transfer-pricing/Country-by-Country-reporting/Local-File---High-Level-Design/>)
- Last modified: 06 Apr 2017
- QC 49404

Local file – high level design

Table 1 outlines the two ‘tiers’ of local file, with the amount of information required for a particular local file tier reflecting the entity’s business operations, complexity and perceived level of risk.

Reference is made to a [short form exceptions list](#) and an [exclusions list](#). The short form exceptions list details specific types of transactions that if engaged in by the reporting entity, will mean it will not be eligible to complete the short form local file.

The exclusions list is only relevant for those entities lodging a local file, and identifies transactions that are not material controlled transactions for the purposes of Part B of the local file.

Table 1: Design Overview

File Type	Criteria
------------------	-----------------

Short Form Local File	<p>The reporting entity is only required to provide the short form local file to the ATO if it meets at least one of the following criteria:</p> <ul style="list-style-type: none"> • the aggregate value of its international related party dealing (IRPDs) is less than \$2 million and it has no international related party dealings (IRPDs) on the short form exceptions list • the Simplified Transfer Pricing Record Keeping (STPRK) criteria for 'small taxpayers (/law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P14)' and it has no IRPDs on the short form exceptions list • the STPRK criteria for 'materiality (/law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P53)' and it has no IRPDs on the short form exceptions list.
Local File	<p>Where the reporting entity doesn't meet the criteria for the short form local file, it will be required to complete the local file.</p>

Table 1: Design Overview (continued)

File Type	Information Content
Short Form Local File	<p>Reporting entity description</p> <ul style="list-style-type: none"> • a description and copy of the organisational structure of the reporting entity, including a description of the individuals to whom local management reports and the countries in which such individuals maintain their principal offices • a description of the reporting entity's business and strategy • a description of any business restructures affecting the reporting entity in the current or previous income year, and an explanation of its significance • a description of any transfers of intangibles in the current or previous income year, and an explanation of its significance • a list of key competitors of the reporting entity.

Local File

The local file consists of the information in the **short form local file**, plus:

Controlled transactions

Part A

The following information for all controlled transactions for the income year:

Note: in the case of an agreement included in a Relevant Agreement Series (RAS), all the agreements covered by the RAS are aggregated for the purpose of completing Part A.

- name of the Australian counterparty
- name of the non-resident counterparty
- country of tax residency of the non-resident counterparty
- category of the transaction per Table 4
- amounts of consideration payable/receivable (of a capital nature for Australian income tax purposes)
- amounts of expenditure/revenue (not of a capital nature for Australian income tax purposes)
- for IRP debt factoring and securitisation arrangements, the book value of transferred debts will also be required
- where foreign currency gains or losses are incurred for the transaction, disclosure of the FX gain/loss will also be required
- **Note:** for the above labels
 - zero values are shown for nil payment or consideration (as per item 14a of the IDS)
 - there will be an indicator for non-monetary consideration (as per item 14b of the IDS).
- the transfer pricing method relied on for the transaction per Table 3
- if it is a capital transaction, the capital asset pricing methodology (/forms/international-dealings-schedule-instructions-2015/?page=8#Appendix_10_Capital_asset_pricing_methodologies) used
- the transfer pricing documentation code (/forms/international-dealings-schedule-instructions-2015/?page=8#Appendix_9_Percentage_of_dealings_with_documentation)
- for the purposes of Part B, whether the transaction is covered by a category on the exclusions list.

Part B

For each transaction not covered by the exclusions list (material

controlled transactions):

- the transfer pricing method relied on for the transaction by the IRP per Table 3 (or an indication the reporting entity was not able to obtain the information)
- an indication whether there is a written agreement and, if so, whether the agreement has been previously provided to the ATO (where the agreement has been previously provided, we will require the title of the agreement to enable ATO identification)
- a copy of the agreement (unless previously provided to the ATO)
 - **Note:** there are special rules for providing agreements included in a Relevant Agreement Series, see [Local file – Part B: Guidance on providing International Related Party agreements \(/Business/International-tax-for-business/In-detail/Transfer-pricing/Country-by-country-reporting/Guidance-on-Local-File-Part-B/\)](#)
- any foreign APAs or rulings provided by another jurisdiction in relation to an agreement (unless previously provided to the ATO).

Financial information

Financial accounts for the Australian reporting entity

More information

Duplication

We intend to provide an administrative solution to avoid duplication between the information provided in the local file and the information provided in the International Dealings Schedule (IDS).

If a Reporting Entity chooses to voluntarily lodge Part A of their local file at the same time as their Income Tax Return, they will not need to complete the relevant IRPD labels in Questions 2 to 17 of the IDS. Part B of the local file must be lodged by the statutory due date (per [815-355\(2\) \(/law/view/document?docid=PAC/19970038/815-355#815-355\(2\)\)](#) of the Income Tax Assessment Act 1997 (ITAA 1997 [\(/law/view/document?DocID=PAC/19970038/ATOTOC&PiT=99991231235958\)](#)).

If the Reporting Entity has already provided relevant agreements to the ATO, they do not need to provide the agreements to the ATO again through the local file. The XML schema for Part B of the local file will include a provision for notifying the ATO if an agreement has already been provided.

Short form exceptions list

Where the reporting entity has the IRP transactions or dealings of the kinds listed below, they are not eligible for the short form local file, since a low value for these transactions is not necessarily reflective of the level of risk.

- Any derivative including without limitation any swap, forward, future or option in respect of values determined in connection with interest rates, currency, commodities or other assets.
- Any legal or equitable assignment of trademark, patent, design, copyright, other intellectual property or similar property or rights, or any part thereof.
- Any licence or other grant of use or right to use a trademark, patent, design, copyright, other intellectual property, secret formula or process or similar property or rights.
- IRPDs of a capital nature (/forms/international-dealings-schedule-instructions-2015/?page=3#Question_13).

Exclusions list

The exclusions list outlines categories of agreements which are considered to not materially affect the application of Subdivision 815-B (</law/view/document?docid=PAC/19970038/815-101>) of the ITAA 1997 (</law/view/document?DocID=PAC/19970038/ATOTOC&PiT=99991231235958>), or where agreements are not otherwise required. Part B of the local file is not required for the following agreements.

Agreements relating to transactions eligible for Simplified Transfer Pricing Record Keeping

Agreements covered by the following STPRK options you have chosen to apply the:

- 'intra-group services (</law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P26>)' STPRK option
- 'management and administration services (</law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P59>)' STPRK option

- '[technical services \(/law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P68\)](#)' STPRK option
- '[low-level loans \(/law/view/document?DocID=COG/PCG20172/NAT/ATO/00001#P42\)](#)' STPRK option.

Reimbursement under Employee Secondment Agreements

To be excluded, the agreement must satisfy the following criteria:

- the agreement solely covers
 - reimbursement of salary or other costs in connection with secondment of natural persons; and/or
 - rights and obligations in connection with effecting the employment or engagement of the natural persons by the party obtaining the seconded employee.
- the persons who are employed do not perform services for more than one party to the agreement at the same time
- the business operations of the party providing the seconded employee do not include providing consultancy services, personnel services or staff engagement services to unrelated parties.

Low value /low risk service agreements

To be excluded, the agreement must satisfy the following criteria:

- the agreement solely covers
 - the provision or receipt of services; and/or
 - rights and obligations in connection with effecting the provision or receipt of services.
- the services are not provided in connection with use or enjoyment of any trademark, patent, design, copyright, other intellectual property, secret formula or process or similar property rights
- the services are not provided in connection with any other IRP agreement
- the total amount deducted in the income year in connection with the agreement or Relevant Agreement Series (as applicable) is less than either
 - A\$2 million
 - 2% of IRPD expenses.

- the total amount returned in the income year in connection with the agreement or Relevant Agreement Series (as applicable) is less than either
 - A\$2 million
 - 2% of IRPD revenue.

Low value/low risk sale and purchase tangible trading stock agreements

To be excluded, the agreement must satisfy the following criteria:

- the agreement solely covers either
 - the sale or purchase of tangible trading stock
 - rights and obligations in connection with effecting the sale or purchase of tangible trading stock.
- the tangible trading stock provided or received, is not provided or received in connection with use or enjoyment of any trademark, patent, design, copyright, other intellectual property, secret formula or process or similar property rights
- the tangible trading stock is not provided or received in connection with any other IRP agreement
- the total amount deducted in the income year in connection with the agreement or Relevant Agreement Series (as applicable) is less than either
 - A\$2 million
 - 2% of IRPD expenses.
- the total amount returned in the income year in connection with the agreement or Relevant Agreement Series (as applicable) is less than either
 - A\$2 million
 - 2% of IRPD revenue.

Issue of ordinary shares

To be excluded, the agreement must satisfy the following criteria:

- the agreement solely covers
 - acquisition by the reporting entity of ordinary shares, by way of issue of new shares by the company; and/or
 - issue of ordinary shares by a reporting entity which is a company.

Appendixes

Table 2: Glossary

Term	Meaning
Assignment	Assignment in law or in equity, including without limitation assignment by declaration of trust
Australian entity	An entity which is an Australian resident for tax purposes
Controlled transactions	Dealings with an International Related Party (IRP)
Debts	Debt receivables including loan receivables
Debt interest	A debt interest under Division 974 of the ITAA 1997
Equity interest	An equity interest under Division 974 or section 820-930 of the ITAA 1997
Foreign entity	Any entity which is not an Australian resident for tax purposes
International related party	As defined in the IDS instructions
Intellectual Property (IP)	Trademark, patent, design, copyright, other intellectual property or similar property or rights
International related party dealings (IRPD)	As defined in the IDS instructions
Ordinary shares	Shares issued by a company carrying proportionate rights to voting and to profit and capital distributions, and carrying no special rights

Short form exceptions list	List of kinds of transactions, that if entered into by the Reporting Entity will mean it will not be eligible to complete the short form local file
Relevant Agreement Series	As described in: Local file – Part B: Guidance on providing International Related Party agreements (/Business/International-tax-for-business/In-detail/Transfer-pricing/Country-by-country-reporting/Guidance-on-Local-File-Part-B/)

Table 3: Transfer Pricing Methods

No	Method	No	Method
1	Apportionment of costs	9	Profit split
2	Apportionment of income	10	Resale price method
3	Comparable uncontrolled price	11	Transactional net margin
4	Cost contribution arrangement	12	Transactional net margin (Whole-of-Entity)
5	Cost-plus	13	Other
6	Fixed mark-up applied to cost	14	None
7	Fixed percentage of resale price	15	Unknown
8	Marginal costing		

Table 4: Transaction Categories

IDS Label	Local File Equivalent
-----------	-----------------------

5	Tangible property of a revenue nature	Tangible property of a revenue nature
6a	Royalties	Rights to use IP Other rights to use, supply or receive where consideration is royalty under section 6(1)
6b	Licence fees	Licence fees
7	Rent/leasing	Rent of real property Hire or lease of plant or equipment Lease or hire of other property or rights
8a	Treasury related services	Treasury related services
8b	Management and admin services	Management and admin services
8c	Insurance	Insurance
8d	Reinsurance	Reinsurance
8e	Research and development	Research and development
8f	Sales and marketing	Sales and marketing
8g	Software and IT services	Software and IT services
8h	Technical services	Technical services
8i	Logistics	Logistics
8j	Asset management	Asset management

8k	Other services	Other services
9	Derivatives	Cross currency interest rate swap
		Currency derivative (not cross currency interest rate swap), including currency swap, forward, future or option
		Fixed for floating interest rate swap (not cross currency)
		Other interest rate derivative (not cross currency)
		Credit default swap
		Asset swap
		Commodity derivative, including commodity swap, forward, future or option
		Other derivative
10a	Debt factoring	Inward debt factoring
		Outward debt factoring
10b	Debt securitisation	Inward debt securitisation
		Outward debt securitisation
11a & 11b	Borrowings/loans	Ordinary borrowings/loans (excluding trade financing)
		Trade financing
		Bonds
		Promissory notes

		Convertible notes that are debt interests
		Convertible shares that are debt interests
		Redeemable preference shares that are debt interests
		Other kinds of debt Interests
11c	Interest	<p>Interest or other return on debt interest</p> <ul style="list-style-type: none"> • This field will be completed for each different debt interest (or all the debt interests covered by a particular Relevant Agreement Series). • Where no interest or other return is payable for the debt Interest, a zero value is shown at this field for the debt interest.
11d	Guarantee	Guarantee or indemnity of liability under debt interest
		Guarantee or indemnity of other kind of liability
11e	Insurance	Insurance
11f	Reinsurance	Reinsurance
11g	Other financial dealings	Other financial dealings
12	Other revenue IRPDs	Other revenue IRPDs
13a	Disposal or acquisition of tangible property of a capital nature	Real property
		Plant or equipment
		Other tangible property

13b	Disposal or acquisition of intangible property of a capital nature	<p>Assignment of IP</p> <hr/> <p>Issue of ordinary shares</p> <p>Assignment of ordinary shares</p> <p>Issue of equity interest other than ordinary shares</p> <p>Assignment of equity interest other than ordinary shares</p> <p>Assignment of debts</p> <p>Assignment of liabilities</p> <p>Assignment of benefit of contracts (excluding assignment of equity interests, debts or IP)</p> <p>Assignment of other intangible property or rights</p>
14a	Provision of benefits for no payment	<p>This will be covered in the local file by showing a zero value for the relevant transaction category at the following applicable labels:</p> <ul style="list-style-type: none"> • the Expenditure label (for benefits on revenue account) • the Consideration receivable label (for benefits on capital account)
14b	Non-monetary payment	<p>This will be covered in the local file by using an indicator that there was non-monetary consideration for the relevant transaction category</p>
15	Share based employment remuneration	<p>Share based employment remuneration</p>

16	Cost contribution arrangement	Cost contribution arrangement
17	Restructure	<p>This will be covered in the local file by:</p> <ul style="list-style-type: none"> • the information required in the short form local file • the information and agreements provided in Part A and Part B for the relevant Transaction Categories, including the specific Transaction Categories covering capital disposals/acquisitions

Table 5: Content Description for Local File

Content	Description
Name of the Australian counterparty	Text of the registered business name
Name of the non-resident counterparty	Text of the registered business name
Country of tax residency	Selection of appropriate country code as per IDS (/forms/international-dealings-schedule-instructions-2015/?page=8#Appendix_2__Country_names_and_codes)
Category of transaction	Selection of appropriate category of transaction as per Table 4
Amount consideration payable/receivable	Numerical value in AUD, including zero

Amount expenditure/revenue	Numerical value in AUD, including zero
Indication of materiality of agreement	If not on <u>exclusions list</u> , then “Yes” – otherwise an indication of excluded agreement category as per the <u>exclusions list</u>
Transfer pricing methodologies	Selection of appropriate method as per Table 3
Transfer pricing documentation code	Code for the percentage of dealings for which relevant written documentation is available as per <u>IDS (/forms/international-dealings-schedule-instructions-2015/?page=8#Appendix_2_Country_names_and_codes)</u>
Written agreement	If ‘yes’ for agreement previously provided to ATO, provide the name of document and the date the document was provided to the ATO
Copy of agreement	Electronic copy of the agreement

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).