



TP Australia

# What is the International Dealings Schedule?



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**SOLUTIONS**

Australia | Singapore | Malaysia

Transfer Pricing Solutions (or TPS) specialises in providing Practical, Proactive and Cost-Effective transfer pricing advice from our experienced team to a global list of clients.



# TRANSFER PRICING SOLUTIONS

## GROUP STRUCTURE



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AUSTRALIA



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ASIA PTE LTD (Singapore)



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MALAYSIA SDN BHD

## INDUSTRY LEADERSHIP

# CONTRIBUTION & RECOGNITION

TPS has been awarded in Australia and Singapore for our expertise and experience, including the Asia Tax Awards and Australian Accounting Awards, including recognition as a Tier Two transfer pricing advisor ahead of other well respected transfer pricing advisors.

### Tier one

Baker McKenzie  
Deloitte Australia  
Ernst & Young Australia  
KPMG Australia  
PricewaterhouseCoopers Australia

### Tier two

BDO Australia  
DLA Piper Australia  
Grant Thornton Australia  
MinterEllison  
TP Equilibrium  
Transfer Pricing Solutions

### Tier three

Clayton Utz  
Duff & Phelps  
Johnson Winter & Slattery  
Pitcher Partners

### Other notable

Ashurst Australia  
Greenwoods & Herbert Smith Freehills



## ■ Today's Presenters



Shannon Smit  
DIRECTOR



Cavin Tai  
SENIOR MANAGER



Hong Chuan Tan  
SENIOR MANAGER

# International Dealings Schedule



What is International Dealings Schedule?



Who needs to complete the IDS?



What does the ATO achieve?



What are our Tips and Tricks!

# What is IDS?

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## ■ What is the IDS?

- The IDS is a risk assessment tool for the ATO
- The IDS provides a 'snap shot' of the Company's transfer pricing position to the ATO.
- If the IDS is filed incorrectly, it can trigger transfer pricing risk reviews and potential audits. It is CRITICAL to get it right
- Captures key information of a taxpayer's international related party transactions ("IRPT")



Who needs to complete  
the IDS?

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## ■ Who needs to complete the IDS?

- All companies, trusts, partnerships are required to complete the IDS if it has:
  - IRPT greater than A\$2 million in aggregate, or
  - An interest in a foreign branch, subsidiary or trust.
- In addition, companies are required to complete the new schedule if:
  - The thin capitalisation provision apply to them
  - They have hub arrangements
  - They had an offshore banking unit adjustment
  - The Hybrid Mismatch rules apply



What does the ATO achieve?

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## ■ Why did the ATO develop the IDS?

- Expanded and more specific disclosures in all areas
- To gain greater visibility of transfer pricing documentation held in respect of certain transaction groups
- To use the disclosures in conjunction with information gathered from other sources (including income tax returns, CBC and AUSTRAC data on international financial movements) to more tightly focus its selection of taxpayers for audit activity



## ■ What does the ATO do with the information?

- The ATO analyses taxpayer information (including disclosures made in the IDS) in its Risk Engine when selecting taxpayers for a risk review
- Identify potential “Commercially unrealistic levels of profitability”, i.e. lower profits than other companies in the same industry
- Understand taxpayer’s level of documentation



## ■ The IDS and Risk Reviews / Audits

- Data from the IDS is assessed alongside other indicators such as profitability and tax paid to determine those taxpayers to come under review
- If selected, the ATO may send a questionnaire requesting further details, or undertake a Transfer Pricing Record Review (“TPRR”)
- From this, the ATO will decide to take no action, place the client on a watch list, or undertake an audit
- An audit is timely, costly, including on resources, and can lead to penalties and interest
- Legal action is required to dispute an audit finding
- TP documentation can assist in reducing penalties



# International Dealings Schedule Tips & Tricks!

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## ■ Question 1 & 2

### Interlink with Country-by-Country Reporting

- 1a Does Country-by-Country reporting apply to you?
- 1b Have you lodged Part A of your local file at the same time as your income tax return?
- 2a Is the total of your international related party dealings over \$2 million?
- 2b Are you a small business entity, not a significant global entity and your international related party dealings do not exceed \$5 million and 50% of your current year aggregated turnover?



## ■ Question 3 & 4

- Start by completing Questions 5-18, leave Questions 3 and 4 for the end as they are summary questions.
- Question 3 is NOT Specified Countries
- Question 4 is Specified Countries



## ■ Question 6

- Royalty vs License
- Most common exception is purchase of shrink-wrap software, which is considered stock (TR 93/12) and should be disclosed in Question 5 (tangible property)
- Based on tax deduction/income rather than accounting value



## ■ Question 8

### Service arrangements

- Management and administration services  
Should include the admin services associated with employee-based plans, however, the actual employee-based plan payment is disclosed in in Q15
- Insurance services  
Only includes management of insurance contracts, and should not include any revenue/expenses related to insurance contracts
- R&D  
Development of software is considered to be “R&D services”. Support and maintenance of software is considered to be “Software and IT services”.



## ■ Question 9 & 10

### Derivatives

- Requires disclosure of revenues, expenditures, principle derivative types and pricing methodology
- ATO asks to disclose information based on how the derivative is treated for accounting purposes

### Debt Factoring

- ATO is of the view that most of these types of transactions would not to be a related party, and therefore this question will be limited in scope.
- Requires disclosure of book values, consideration and pricing methodology
- Question addresses both debt factoring and securitisation separately



## ■ Question 11

### Financial Dealings (Loan)

- Interest bearing and interest free amounts loaned and borrowed (average balances to be disclosed)
  - Interest
  - Guarantees
  - Reinsurance
  - Other financial dealings
- Loans given ordinary meaning but debt/equity rules also relevant – debt interest under Division 974 also included
- Average balances (opening + closing balance at end of each quarter / 5)
- Any gain/loss incurred in relation to a loan arrangement would be disclosed at 11g (e.g. fixed gains/losses)



## ■ Question 12 & 13

### Other revenue dealings

- Catch all question - any other international related party dealings of a revenue nature not reported at questions 5 to 11
- Amounts included in Questions 2 to 4 may be included again at 5 to 11

### Other non-revenue dealings (Capital)

- Catch all question - Did you dispose of or acquire any tangible/intangible property of a non-revenue (capital) nature to or from international related parties not reported at question 5 to 11
- Requires a split between tangible and intangibles transactions



## ■ Question 15 & 16

### Share based remuneration

- Both inbound and outbound
- Could be a difficult question to answer – different approaches taken in different countries
- Administrative service charges for share based payments should NOT be included

### Cost contribution arrangements

- Yes/No disclosure
- Risk flag question



## ■ Question 17 & 18

### Restructuring

- Disclosure of top 3 events involving the entity or its branch (capital value, country, characterisation, documentation and written description required)
- Risk flag question
- Issue: trying to determine and value a business restructure

### Branch operations

- Separates out branch dealings to related entities
- Based on tax deductions/income



## ■ Other Sections of the IDS

- Section B: Financial transactions
- Section C: Interest in foreign entities
- Section D: Thin capitalisation
- Section E: Financial services entities
- Section F: Miscellaneous
- Section G: Hybrid Mismatches



## ■ Key Takeaways

- The International Dealings Schedule is often the first point the ATO has on your transactions
- Based on **accounting** values with a few exceptions
- Ensure consistency between TP documentation and IDS
- Appendix 5 – Arms Length Pricing Methods
- Appendix 9 - % of Documentation
- Revenue vs Expenditure - IRPT



How Transfer Pricing  
Solutions can help.

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## ■ How we can help

- Review or Prepare your international dealings schedule
- Transfer pricing documentation
- Prepare a PCG analysis for
  - PCG 2017/4 Financing
  - PCG 2021/D3 Hybrid Mismatch rules
  - PCG 2021/D4 Intangibles
  - PCG 2017/1 Centralised operations (procurement, marketing, sales and distribution)
  - PCG 2019/1 Inbound distribution arrangements

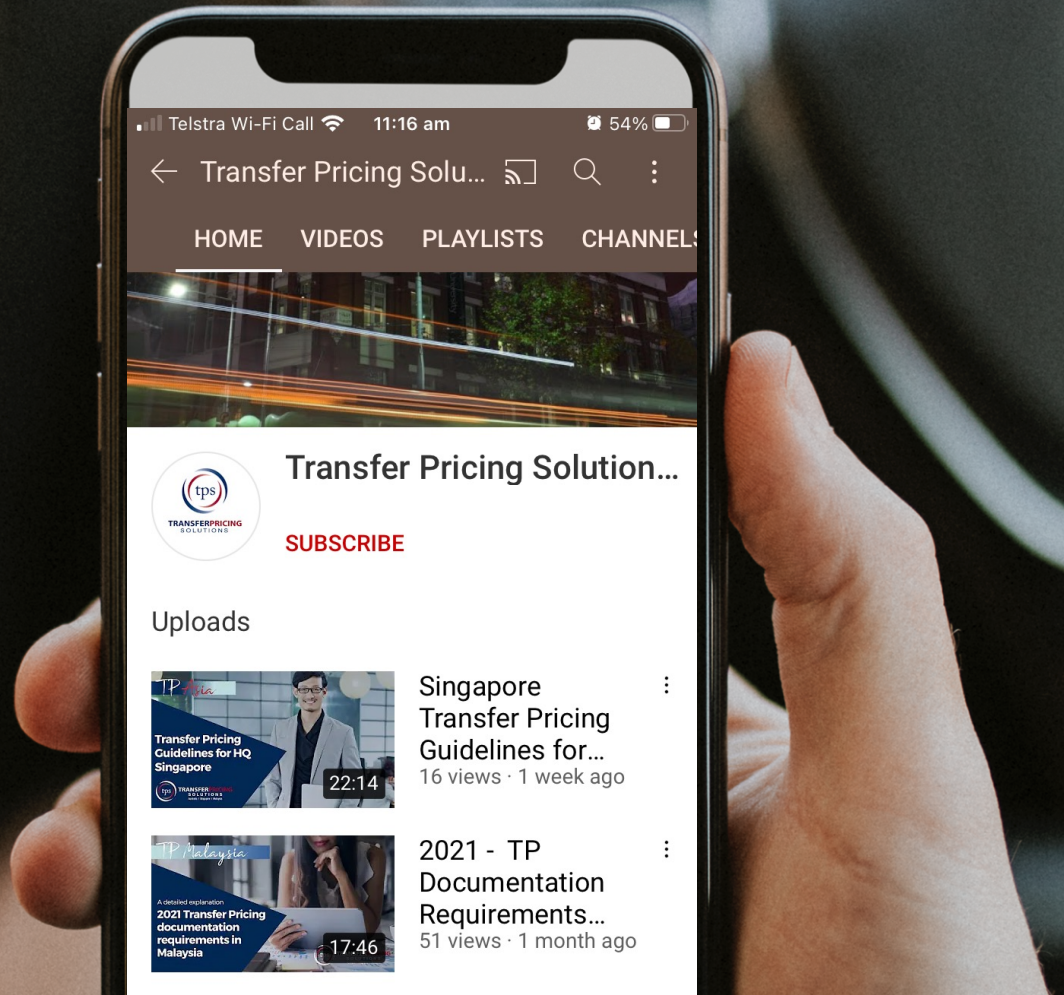


Questions





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