

FORMAT

AUDIENCE

MARCH 2011

DATE

CONFIDENTIAL

CLASSIFICATION

WHEN COMPLETED



Australian Government

Australian Taxation Office

FILE REF:

Annual Compliance Report

Product linked to the Practice Statement Law Administration
PS LA 2011/1



APA reference number: _____

Parties to the APA: _____

Company lodging the ACR: _____ TFN: _____

[The above will be pre-filled by the ATO from information contained in the APA]

This ACR covers the period from: ____/____/20____ to: ____/____/20____

Date of ACR lodgement: ____/____/20____

[The shaded boxes will be pre-filled by the ATO from information contained in the APA]

| | Items | CT 1 | CT 2 | CT 3 | Add additional columns as required | |
|---------------------------------|---|------|------|------|------------------------------------|--|
| 1 | Covered transaction (CT) | | | | | |
| 2 | Has there been a breach of a critical assumption? | | | | | |
| 3 | Country(ies) involved | | | | | |
| 4 | Agreed transfer pricing method(s) | | | | | |
| 5 | Agreed profit level indicator(s) | | | | | |
| 6 | Agreed point or range | | | | | |
| 7 | Actual result achieved | | | | | |
| 8 | Compensating adjustment (+/-A\$m) | | | | | |
| 9 | Result after compensating adjustment | | | | | |
| 10 | Where was the compensating adjustment reflected in the income tax return? | | | | | |
| 11 | Covered transaction amount (A\$m) | | | | | |
| 12 | Underlying transaction | | | | | |
| 13 | Underlying transaction value (A\$m) | | | | | |
| Add additional rows as required | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |

Note: Refer to the instruction on page 5 before completing this section.

Annual Compliance Report (ACR) checklist of key contents

Attach the following documents to be included as part of the ACR:

[These documents will be agreed upon as part of the Advance Pricing Arrangement (APA) negotiations]

- a) All appropriate information and computations that clearly show how the selected transfer pricing methods were applied
- b) Profit and loss statement
- c) Reconciliation statements of all adjustments made between the net income in the financial statements and the taxable income disclosed in the income tax return
- d) Any other appropriate document or information necessary to validate the basis of the calculation

**Has this document
been attached?
Please indicate
with a "✓"**

Yes

No

State below any other items required for taxpayer

Add additional
boxes as required

If you ticked 'no' (this document has not been attached) for any of the documents listed above:

- a) Please provide an explanation why it was not attached in the space provided below.

- b) Please also indicate why this ACR should be accepted without the agreed document(s).

I declare that I have examined the information contained in this APA Annual Compliance Report, including the accompanying documents, and to the best of my knowledge and belief, the facts presented within this report and accompanying documents are true, comprehensive and accurate.

Signature of the Public Officer: _____

Please Print Name of the Public Officer: _____

Contact Details of the Public Officer: _____

Date: ____/____/20____

Instructions for completing the Annual Compliance Report Summary

- Row 1:** Covered transaction (CT) – Describe each of the international related party dealing(s) covered by the APA, for example, Cost of Goods Sold (COGS), services, royalty etc.
- Row 2:** Has there been a breach of the critical assumption? – If yes, please provide details in a separate attachment.
- Row 3:** Countries involved – Which country(s) is the Australian taxpayer dealing with for each CT?
- Row 4:** Agreed transfer pricing methodology – What transfer pricing methodology was agreed to for each CT? For example, Transactional Net Margin Method (TNMM), Residual Profit Split etc.
- Row 5:** Agreed Profit Level Indicator (PLI) – What PLI was agreed to for each CT? For example, Earnings before Interest and Tax (EBIT)/Sales, cost plus etc.
- Row 6:** Agreed point or range – What PLI point or range was agreed to for each CT?
- Row 7:** Actual result achieved – What is the actual PLI achieved for each CT?
- Row 8:** Compensating adjustment (+/-A\$m) – If there was a compensating adjustment required please write the amount in this column and indicate whether it was a payment into (+) or a payment out of (-) Australia. For CT's applied using a profit split, the ATO should ensure any compensating adjustment made is processed in the issuing and receiving party books. In these cases, an additional row will need to be added to make it clear how the entry was made – i.e. journal via inter-company account or actual invoice so the compensating adjustment can be tracked on both sides of the CT.
- Row 9:** Result after compensating adjustment – If a compensating adjustment was necessary, what was the result after the adjustment was made?
- Row 10:** Where was the adjustment reflected in the income tax return? – For example: purchases, sales, reconciliation statement etc.
- Row 11:** Covered transaction amount – What is the actual value of the CT in Australian dollars after any compensating adjustment (also indicate the exchange rate that was used in converting amounts to Australian Dollars)?
- Row 12/13:** Underlying transaction(s) and their value (A\$m) – In the case of say COGS, this will be the actual value of the CT shown in Row 11.

For example:

Row 11: \$5 million; Row 12: COGS; Row 13: \$5 million

In the case of say a royalty, which is based on say 5% of sales, if the royalty paid was \$5m (Row 11) then the underlying transaction would be sales (row12) and the value underlining the CT would be \$100 million (row13).

For example:

Row 11: \$5 million; Row 12: SALES; Row 13: \$100 million