

## **Related Party Dealings Schedule – Simplified Guidance for Completion**

### **1. Who is required to complete and furnish the schedule?**

A person that enters into a controlled arrangement under section 54 (1) of the Business Tax Act (Cap 20).

“Controlled arrangement” means an arrangement between associates, including an arrangement attributed to a permanent establishment of one or both of the associates; and an arrangement between a person and a permanent establishment of that person, or an associate of that person, as though that arrangement was between associates.

“Person” includes an individual, partnership, entity, trust, government body or for the purpose of section 54 and a permanent establishment (Amendment to section 2 of the Business Tax Act (Cap 20).

### **2. Which period is the schedule required to be furnished for?**

The first year of lodgement is for the period 1 January 2024 to 31 December 2024, unless a business has a substituted tax year or a transitional tax year, in which case Section 26 of the Business Tax Act (Cap 20) applies.

Section 26(1) of the Business Tax Act (Cap 20) allows a business, with the approval of the Revenue Commissioner, to adopt a *substituted tax year* (that is, a period of 12 months ending on a date other than the 31<sup>st</sup> December). For example, 1 July 2024 to 30 June 2025.

Section 26(2) of the Business Tax Act (Cap 20) refers to a *transitional year* as being the period between the last full tax year prior to the change and the date on which the changed tax year commences and is treated as a *separate year*. For example, if a tax year was originally 1 January 2023 to 31 December 2023 and a substituted tax year was adopted as 1 July 2024 to 30 June 2025. The separate year would therefore be 1 January 2023 to 30 June 2024.

Section 26(3) of the Business Tax Act (Cap 20) stipulates that the law under the act applicable to a substituted tax year or a transitional tax year is the law applicable for the tax year in which the substituted tax year or transitional tax year commenced.

### **3. When is the schedule due to be lodged?**

By 31 March 2025, unless an extension to lodge a Business Tax Return has been granted by the SRC or a substituted tax year.

### **4. What is section 54(1) of the Business Tax Act (Cap 20)?**

Given that the first year of lodgement is for the year ended 31 December 2024 (2024 tax year), the repealed and replaced section 54 of the Business Tax Act (Cap 20) applies (in force from 1 January 2023). It applies to related party dealings defined as including:

- (a) an arrangement between associates;
- (b) an arrangement between different businesses of a person, as though that arrangement was between associates;
- (c) an arrangement between a business of a person and another activity conducted by that person or another person, as though that arrangement was between associates; and
- (d) an arrangement between a person and a permanent establishment of that person, or an associate of that person, as though that arrangement was between associates.

Section 54 of the Business Tax Act (Cap 20) is concerned with *transfer pricing and the arm's length principle*.

"Transfer pricing" relates to consideration of prices charged in transactions between associates." It is a mechanism whereby associates may price or structure their commercial and financial relations whereby the actual conditions may differ from the arm's length conditions, providing a transfer pricing benefit. Section 54 provides the Commissioner General the power to replace actual conditions with arm's length conditions and negate a transfer benefit and, having regard to the form and substance of the actual commercial or financial relations, may disregard or recharacterise conditions or arrangements.

"*Arm's length principle*" means the principle that commercial or financial relations established in a transaction between associates must be the same as the commercial or financial relations established in a comparable transaction between persons who are not associates.

"*Commercial or financial relations*" means connections or arrangements between persons that relate to or could otherwise affect the commercial or financial activities of one or all of those persons or parts thereof. These arrangements may include –

- i. a single arrangement or a series of arrangements;
- ii. an understanding, things to be done or not to be done, and practices whether expressed or implied and whether or not legally enforceable;
- iii. unilateral actions or mutual arrangements;
- iv. a strategy; or
- v. an allocation of overall profit outcomes by two or more persons.

**The Related Party Dealings (RPD) Schedule includes the following disclosures per Regulation 3(1) of the Business Tax (Related Party Dealings) Regulations, 2023.**

It is noted that only the fields in the Schedule applicable to the facts and circumstances of the Reporting Entity will be required to be completed.

<b>Disclosure</b>	<b>Explanation</b>
Tax Identification Number of the Reporting Entity	Provide the TIN for the entity reporting the Business Tax Return and Related Party Dealings Schedule.
Total Value of the Related Party Dealings (SR)	Aggregate value of all related party dealings between the reporting entity and associates.
<b>Part 1 – Ultimate Controlling Entity</b>	
Is the company the Ultimate Controlling Entity of the group as at the end of the tax year?	Whether the reporting entity is the Ultimate Controlling Entity for the group of companies (containing associates) as at the end of the tax year?
Name of the Ultimate Controlling Entity	Provide the name of the Ultimate Controlling Entity
Country/Jurisdiction	Provide the country/jurisdiction of the Ultimate Controlling Entity
Tax Residence	Provide the tax residence of the Ultimate Controlling Entity
Principal business activity	Provide the principal business activity of the Ultimate Controlling Entity (that is, the primary business activities conducted in generating income and expenses).
Tax Identification Number	Provide the TIN for the Ultimate Controlling Entity.
<b>Part 2(I) – Associates with which the taxpayer has entered into an arrangement during the period</b>	Complete: Income/Receipt (SR) and/or Expense/payment (SR) and name of Associate, as applicable.
Name of Associate	Provide the name of each associate.
Country/Jurisdiction	Provide the country/jurisdiction of each associate.
Tax Residence	Provide the tax residence of each associate.
Principal business activity	Provide the principal business activity of each (that is, the primary business activities conducted in generating income and expenses).
<b>Part 2(II) – Details of Related Party Dealings</b>	Complete: Income/Receipt (SR) and/or Expense/payment (SR) and name of Associate, as applicable.
2a. Purchases or sales of goods, finished, semi-finished or unfinished	RPD involving tangible property of a revenue nature, including trading stock and raw materials.

2b. Purchases or sales of property and other assets	RPD involving real property another other assets such as property, plant and equipment.
2c. Rendering or receiving of services including technical and professional services	RPD related to technical services (such as engineering, design, architecture, procurement, project management, information technology) and professional services (such as accounting, finance, human resources, administrative, marketing, advertising, public relations, legal and insurance).
2d. Leases and rents	RPD related to leases, for example property, plant, equipment, vehicles, vessels (typically longer term, fixed agreements, set costs) and rents (typically shorter term, variable costs).
2e. Reimbursements	RPD related to any reimbursements in the conduct of business with associates.
2f. Cash pooling arrangements	RPD related to a centralisation of funds with movements of cash transactions (debits and credits, for liquidity purposes) between associates.
2g. Joint projects or cost sharing arrangements	RPD related to projects with activities conducted between two or more associates whereby costs and risks are shared during projects or other arrangements, typically in the development of intellectual property.
<b>Part 2(III) – Details of all Related Party Dealings</b>	Complete: Income/Receipt (SR) and/or Expense/payment (SR) and name of Associate, as applicable.
2h. Research and development costs	RPD related to a company's efforts to develop, design, and enhance its products, services, technologies, or processes. For example, developing code for new software, development of new drugs and other products or processes or improvements/variations to existing products or processes.
2i. Transfers of an ownership right in intellectual property or a right to receive a monetary return to intellectual property	RPD related to transfers of intellectual property rights. This covers all intellectual property rights including trademarks, designs, patents, copyright, trade secrets and computer code.
2j. Transfers of royalties, license fees, management fees, franchise fees, rights and options, commissions and rent	RPD related to royalties (regular usage based payments for the use of intellectual property owned by an associate; such as a percentage of sales) and license fees (typically a fixed price paid as part of an agreement between associates that define the terms under which typically tangible property, goods licensed for use by one party from another),

2k. Payments or receipts of interest, or equivalent to interest	RPD related to interest, typically in connection with a financing arrangement.
<b>Part 2(IV) – Details of Loans and Non-Trade Amounts</b>	Complete: Opening Balance (SR), Amount of interest (SR), Closing Balance (SR) and name of Associate, as applicable.
2l. Loans or similar made to associates	Loans (financing arrangements) extended to associates - outbound.
2m. Loans or similar received from associates	Loans (financing arrangements) borrowed from associates - inbound.
2n. Non-trade Receivables	Not related to providing a service or selling a product in the course of conducting primary business. For example, insurance claims, refunds, advances to employees, dividends or interest receivable.
2o. Settlement of liabilities on behalf of the person or permanent establishment or by the person or permanent establishment on behalf of a related party	The transfer to the counterparty of cash, equity instruments, and/or other assets or services that results in the extinguishment of the liability.
<b>Part 3 – Outstanding balances/commitments for controlled arrangements as at the end of the reporting period</b>	Complete: Controlled arrangement, Amount (SR) and name of associate, as applicable. Provide the total amount of outstanding balances/commitments for each controlled arrangement for each associate separately as well as details of the controlled arrangement itself (having regard to the related party dealings fields in the Parts 2).
<b>Part 4 – Details of financial guarantees or collateral provided or received</b>	Complete: Type of guarantee/collateral, Amount provided (SR), Amount Received (SR), Amount of interest (SR) and Name of Associate, as applicable.
<b>Part 5 – Directors of the Reporting Entity</b>	Complete: Name of Director, Shareholding (%), Nationality and TIN, as applicable.