

e-Tax alert

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Taiwan Customs Guideline on One-Time Transfer Pricing Adjustments

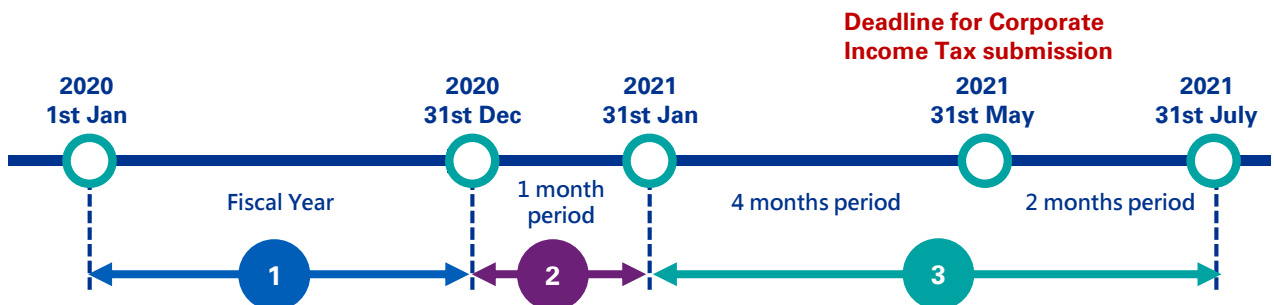
According to Tax Ruling No.10804629000 issued by Taiwan Ministry of Finance (MOF) on November 15, 2019, starting from 2020 fiscal year, when conducting transactions with related parties, a company who meet the requirements is allowed to make one-time TP adjustment before closing the accounting records for the fiscal year. For the above eligibility criteria, please refer to [Issue 139 e-Tax alert](#) published on 2019/11/27.

To assist the companies who have imported goods from related parties and would like to adopt the abovementioned ruling, Taiwan Customs has recently

released the “Guidelines on assessing one-time TP adjustment to determine the dutiable value” (the “Guidelines”) on December 31, 2019.

Compliance requirements basically can be distinguished into three phases: 1. upon importation during the year; 2. submitting the One-time TP Adjustment Application and 3. Customs Assessment Process. Based on the information which has been announced so far, in connection with one-time TP adjustment for imported goods’ value assessment, some key points are summarized as follows.

Processing time of TP adjustment application(Using a December year-end company as an example)



Items

1. Upon Importation

- Companies need to determine which import declarations may be subject to the one-time TP adjustment in the year-end as only these selected import declarations need to comply with the procedures stipulated in the Guidelines.
- On the selected import declarations, the following sentence “[Conduct one-time TP adjustment for XXXX fiscal year](#)” should be stated and the start and end dates of the fiscal year should also be indicated, so the Customs officers then know that these import declarations require further procedures.
- Indicate this is a related party transaction and price is influenced by stating code “[136](#)” in Relation Parties column.
- Indicate the payment method is duty estimated in advance by stating code in code “[65](#)” in Duty Treatment.
- The “[Application for Goods Released under Deposit](#)”, [proforma invoices](#), and the [value declaration form](#) should all be submitted together with the import declarations.

Important Issue

Please note for import declarations indicated subject to TP adjustment, the eligible method of customs clearance will only be either Document Review (C2) or Document Review and Cargo Inspection (C3). Exemption from Inspection (C1) will not be eligible, meaning potential longer time for customs clearance.

2. Submitting the One-time TP Adjustment Application

- An “[Application for One-time TP Adjustment on Imported Goods Dutiable Value Assessment](#)” should be submitted, containing the following information:
 - The import declaration form reference number, items, provisional prices, and the price per official commercial invoices;
 - Reasons or methodologies for determining the transaction price.
- Other documents to be submitted with the application form including:
 - Agreements of the transactions;
 - Official commercial invoices; and
 - Payment slip and other relevant documents for assessment.

3. Customs Assessment Process

- The Customs shall complete the assessment within [4 months](#) from the day of receiving application; if additional time requires due to the case’s complexity, the Customs could extend the assessment period once, up to additional [2 months](#).
- The Customs will assess the dutiable value based on its sole discretion if the company (1) fail to submit application within 1 month after the end of the fiscal year, or (2) fail to provide required documents within [15 days](#) once notified by the Customs.

KPMG Observations

For the import goods from related parties and needs to make one-time TP adjustment, the requirement procedures stipulated in the Guidelines should be followed. To assist the companies in conducting the adjustment procedures smoothly, KPMG suggests that the companies could conduct a self-assessment step-by-step following with the below flow during the year.

In practical terms, the company may find that the collaboration between departments (e.g. supply chain, logistics, finance, sales team, etc.) would be needed in order to prepare required documents for the one-time TP adjustment application.

Thus, it is recommended that companies should consult with different fields of expertise before applying for the one-time TP adjustment.

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Beginning of the year

Identify the items that would be subject to TP adjustment

Make sure the required TP documents are prepared



Middle of the year

Review the TP result in the middle of the year

Identify the items that would be subject to TP adjustment in the second half of the year

Make sure the required customs documents are prepared



End of the year

Apply for adjusting dutiable value based on the actual TP adjustment



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