



## South Africa clarifies penalties for failure to submit CbC report, master file, and local file

### Global Transfer Pricing Alert 2018-016

The South African Revenue Service issued a notice on 11 May regarding the consequences for failing to submit a country-by-country (CbC) report and related transfer pricing documentation when required to do so.

The SARS notice clarifies that the fixed amount penalties provided in sections 210 and 211 of the Tax Administration Act, 2011, will be applicable. These penalties are prescribed amounts that escalate according to the taxpayer's assessed loss or taxable income. The minimum applicable penalty is ZAR 250 per month (approximately USD 20) for entities with an assessed loss or taxable income not exceeding ZAR 250,000 (approx. USD 20,000) and the maximum is ZAR 16 000 (approx. USD 13,000) per month for entities with a taxable income exceeding ZAR 50 million (approx. USD 4 million).

The documentation covered by the notice includes not only the CbC report itself, but also the other elements of transfer pricing documentation – the master file and the local file. Presumably, the fixed amount penalty will apply separately to each of the three elements, to the extent any of them are outstanding.

This notice applies only to entities with a CbC report filing obligation. As this stage, it is not yet clear whether the same penalties will apply to taxpayers that are obligated to submit transfer pricing documentation (that is, the master file and local file) but not a CbC report.

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