



## Tax Newsletter

Timely news and information on national tax issues

# Obligation to file the Report on Operations with Related Parties (F-982 v4) online

On October 1, 2018, the Treasury Department, through the General Office of Internal Revenue (DGII) issued the new version of the "Report on Operations with Related Parties (F-982v4)," whose method of filing is now changed from manual filing (physical) to online filing.

Thus, as of the 2018 tax year, the F-982 v4 should be filed by taxpayers only through the online application, which implies that the Tax Authority (TA) will no longer receive F-982 reports that are filed manually. **For the 2018 tax year, the deadline for compliance**

**with this formal obligation is April 1, 2019.**

The new version of the form is available on the webpage of the Treasury Department, under the option "DGII Online Services." In addition, taxpayers can download the user manual for facilitating the use of the online application. This manual can be downloaded through the following link: [Technical Specifications for the Online Filing of the Report on Operations with Related Parties \(F-982 v4\)](#).

This new version of the form incorporates relevant changes with respect to the previous manual

version of the form. In summary, it incorporates a window entitled "**Operations Analysis**," which is used for reporting how the taxpayer performed the Transfer Pricing analysis. In other words, taxpayers must enter for each intercompany transaction, the following information:

- Tested party;
- Type of comparable;
- Type of financial information used;
- Methodology used;
- Tested value (that is, the result of the tested party);
- Value of comparables or interquartile range;

- Result of the reported transaction;
- Amount of the Income Tax adjustment;
- Others.

In this respect, it is important to clarify the following aspects:

#### **1. Who is obligated to file the F-982 report?**

According to article 124-A of the Tax Code (TC), taxpayers that conduct operations with related parties or parties that are domiciled, established or located in countries, states or territories of low or zero taxation or tax havens during a tax period, and such operations either individually or in aggregate are equal to or greater than US\$ 571,429.00 are obligated to file this report.

The operations cited in the preceding paragraph may refer to income, expenses, assets and liabilities that affected the taxpayer's Statement of Income or Balance Sheet in the year being analyzed.

#### **2. What is the term for filing the F-982 report?**

According to the last paragraph of Article 124-A of the TC, this report should be filed no later than within the first three months following the end of the tax period. As previously mentioned, for the year 2018 the deadline for filing the F-982v4 report is April 1, 2019 since March 31<sup>st</sup> is a non-business day.

#### **3. How can taxpayers identify Related Parties and Preferential Tax Regimes?**

For tax purposes, Related Parties are those that meet any of the conditions indicated in article 199-C of the TC. Likewise, Preferential Tax Regimes or Tax Havens are those that have any of the situations indicated in Roman numerals I and II of the third paragraph of article 62-A of the TC.

#### **4. In order to complete the F-982 report, should the taxpayer have a Transfer Pricing study that supports the determination of prices at market value for the operations performed with Related Parties or Preferential Tax Regimes?**

The TA, in the frequently asked questions section of its webpage, indicates the following: "Prior to filling out the F-982 form, it is imperative to have the Documentation (Transfer Pricing Study, Documentation per the Transfer Pricing Guide DG-002/2018) that supports the analysis and determination of market prices performed, which is the basis of the information to be entered in the F-982 Report being filed."

The above stems from the fact that the obligation to prepare a Transfer Pricing Study is different from the obligation to file the informational return. The former relates to compliance with article 62-A of the TC (Determination of Transfer Prices), and the latter relates to article 124-A (Report on Operations with Related Parties) indicated above.

In addition, due to the type of information requested for the new version of the form, specifically in the section for "Operations Analysis," it is necessary to have a Transfer Pricing Study that supports the information that the taxpayer will be reporting through the F-982 report.

#### **5. In the event that a taxpayer declares in the F-982 report that for all of the listed transactions "NO" pricing analysis was performed (box 27 of the form), can the form be filed with the omission of the information required in the "Operations Analysis" window?**

The Tax Authority has indicated that in these types of cases, the

information requested in window 1 ("Operations with Related Parties") and window 2 ("Evidentiary Documentation") should be entered. With respect to window 3 ("Operations Analysis"), no information should be entered and the taxpayer should proceed to file the form.

However, the TA itself clarifies that "the NO option in box 27 will be used for the case of operations that do not require a Market Price analysis. Notwithstanding, it may also be used to declare that although the taxpayer is obligated to determine the market prices in its operations with Related Parties, it did not do so. In the case of the latter, the taxpayer would be failing to comply with that established in article 62-A of the TC."

Based on the above, in the event that a taxpayer declares market ranges in the F-982 report without having a Transfer Pricing Study that supports such information, or if the taxpayer declares that for the operations in question, no Transfer Pricing analysis was needed, despite being obligated to make one, the taxpayer would be failing to comply with article 62-A of the TC, and the TA could additionally interpret that the F-982 report was filed without complying with the minimum required specifications.

#### **Tax effects of these obligations**

Under this scenario, it is relevant to refer to that indicated by the TC in article 244 letter l) which establishes that: Not filing the F-982 Report; late filing, or filing it without the specifications indicated in the TC or established by the Tax Administration in its forms shall result in a fine of 0.5% of the equity or shareholders' equity stated in the taxpayer's Balance Sheet.

In addition to the above, in the event of non-compliance with these obligations, the Tax Auditor appointed by the taxpayer will have the obligation to issue their Opinion with a disclosure of such non-compliance. This increases the likelihood of a review by the TA and of incurring in the respective penalties.

Therefore, it is recommended that all taxpayers review internally whether any operations were performed with Related Parties or Preferential Tax Regimes, in order to have the necessary Transfer Pricing Documentation that will allow them to file the F-982 Report in accordance with the requirements of the TA.

Through the following link, the TA has indicated the list of frequently asked questions regarding the filing of the F-982v4 Report online, as well as some responses to the clarifications indicated in this document: [Frequently asked questions related to the filing of the Report on Operations with Related Parties \(F-982\)](#).



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## Regulatory Summary

### Interest Rates applicable from February 1 to July 31, 2019

The Treasury Department, through the General Treasury Office, reports that based on that established in articles 1 and 3 of Legislative Decree No. 720, published in the Official Gazette No. 1, Volume 322 dated January 3, 1994, **the average interest rate that will be applied to the payment of taxes in arrears, during the period from February 1 to July 31, 2019**, will be:

- a) **6.55% annually:** prior to 60 days following the deadline for the obligation.
- b) **10.55% annually:** after 60 days following the deadline for the obligation.

The notification referenced above can be downloaded here:



# Tax Calendar

## March 2019

The updated 2019 tax calendar is now available on the Tax Administration’s website, which includes the public holidays and the deadlines for all tax obligations.

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

### March 14

#### VAT:

Declaration and payment of the Tax on the Transfer of Movable Goods and the Rendering of Services (F-07).

#### FINANCIAL INCOME AND TRANSACTIONS:

Monthly declaration of Payment on Account, Tax Withheld on Income from Financial Transactions, and the Special Contribution for Citizen Security and Coexistence (F-14)

#### SPECIFIC AND AD VALOREM TAXES:

Declaration and payment of Specific Taxes, Ad Valorem Taxes and Special Contribution (F-06).

#### OTHER OBLIGATIONS:

- Report on Donations (F-960).
- Report on Specific and Ad Valorem Taxes on Producers and Importers of Alcoholic Beverages, Potable Ethyl Alcohol and Beer, Carbonated Beverages, Isotonic Beverages, Fortified Beverages or Energy Drinks, Juices, Nectars, Soft Drinks and Concentrated or

Powder Mixtures for the Preparation of Drinks (F-955).

- Report on Specific and Ad Valorem Taxes on Producers and Importers of Firearms, Ammunitions, Explosives and Similar Items, Producers of Tobacco and Producers, Importers and those that clear fuels through customs (F-988)
- Monthly Report of Sales to Producers, Distributors or Retailers of Tobacco and Tobacco Products (F-956).

### March 21

#### VAT:

Monthly Report on Withholdings, Collections, and Advances on Account of VAT (F-930).

#### PRINTING PRESSES:

Monthly Report on Documents Printed for Taxpayers of the VAT (F-945).

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