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PART I : SECTION (I) — GENERAL

Government Notifications

INLAND REVENUE ACT, No. 24 OF 2017

Regulations under Section 194 of the Inland Revenue Act, No. 24 of 2017

REGULATIONS made under section 194 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred as the Act) for the purpose of sections 76, 77 and 78 of the Act.

These regulations operate effective from April 1, 2020 and rescind the Regulations published in the *Gazette* Extraordinary No. 2104/4 of December 31, 2018, effective from the same date.

MAHINDA RAJAPAKSA,
Minister of Finance.

Colombo,
02nd March, 2021.

REGULATIONS ON TRANSFER PRICING

SHORT TITLE AND COMMENCEMENT

These regulations may be cited as the Regulations on Transfer Pricing No. 02 of 2020 and come into operation with effect from April 1, 2020.

1. Transfer Pricing Regulations apply to International Transactions referred to in section 76, and to the following cases of transactions made between associated enterprises from transactions referred to in section 77 of the Inland Revenue Act, No. 24 of 2017:

(a) If there are tax exemptions granted to any one of the associated enterprises under the Inland Revenue Act, No. 38 of 2000 or Inland Revenue Act, No. 10 of 2006 or Inland Revenue Act, No. 24 of 2017 or under the Board of Investment of Sri Lanka Law No. 4 of 1978; or

(b) If any difference between income tax rates specified in any of the Schedules to the Act or any income tax rate given in the agreement entered into under the Board of Investment of Sri Lanka Law No. 4 of 1978 is applicable to any one of the associated enterprises; or

(c) If any loss incurred by any of the associated enterprises for the year of assessment or immediately preceding years of assessment which has been brought forward to the year of assessment.

2. **Arm's Length Price**-The arm's length price, referred to in section 76 and section 77 of the Act for the purpose of ascertaining income, gain or profits arising in, derived or accruing from or losses incurred in any transaction, operation or scheme entered into between two associated enterprises (hereinafter referred to as the controlled transaction) should be calculated in accordance with the arm's length principle. The arm's length principle shall be understood as that where a transaction between associated enterprises is carried out taking into account the terms and conditions that would have been used in transactions with or between independent enterprises.

(I) The arm's length price shall be determined by the application of the most appropriate method to the facts and circumstances of the case from any of the methods outlined below:

(a) Comparable Uncontrolled Price Method

The comparable uncontrolled price method consists of comparing the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction.

Under this method,

(i) the price charged or paid for property transferred or services provided in a comparable uncontrolled transaction, or a number of such transactions, is identified;

(ii) such price is adjusted to account for differences, if any between the controlled transaction and comparable uncontrolled transactions or between the enterprises entering into such transactions, which could materially affect the price in the open market;

(iii) the adjusted price so arrived at is taken to be an arm's length price in respect of the property transferred or services provided in the controlled transaction.

(b) Resale Price Method

The resale price method consists of comparing the resale margin that a purchaser of property in a controlled transaction earns from reselling that property with the resale margin that is earned in comparable uncontrolled purchase and resale transaction.

Under this method,

(i) the price at which property purchased by the tested enterprise from an associated enterprise is resold to any person, is identified;

(ii) such resale price is reduced by an appropriate gross profit margin accruing to the tested enterprise based on the gross profit margins that would be earned in comparable uncontrolled transactions, with or between unrelated enterprises;

(iii) the price so arrived at is further reduced by the expenses incurred by the tested enterprise in connection with the purchase of property;

(iv) the price so arrived at is adjusted to take into account the functional and other differences, including differences in accounting practices, if any, between the controlled transaction and the comparable uncontrolled transactions, or between the enterprises entering into such transactions, which could materially affect the amount of gross profit margin in the open market;

(v) the adjusted price arrived at under sub-paragraph (iv) of this paragraph is taken to be an arm's length price in respect of the purchase of the property or obtaining by the tested enterprise from the associated enterprise.

(c) Cost Plus Method

The cost plus method consists of comparing the mark-up on those costs directly and indirectly incurred in the supply of property or services in a controlled transaction with the mark-up on those costs directly and indirectly incurred in the supply of property or services in a comparable uncontrolled transaction.

Under this method,

(i) the direct and indirect costs of production incurred by the tested enterprise in respect of property transferred or services provided to an associated enterprise, are determined;

(ii) the amount of an appropriate gross profit mark-up to such costs (computed according to the same accounting norms) arising from the transfer or provision of the same or similar property or services by the tested enterprise, or by an unrelated enterprise, in a comparable uncontrolled transaction, or a number of such transactions, is determined;

(iii) the appropriate gross profit mark-up referred to in sub-paragraph (ii) of this paragraph is adjusted to take into account the functional and other differences, if any, between the controlled transaction and the comparable uncontrolled transactions, or between the enterprises entering into such transactions, which could materially affect such profit mark-up in the open market;

(iv) the costs referred to in sub-paragraph (i) of this paragraph are increased by the adjusted profit markup arrived at under sub-paragraph (iii) of this paragraph;

(v) the sum so arrived at is taken to be an arm's length price in relation to the supply of the property or provision of services by the tested enterprise.

(d) Transactional Net Margin Method

The transactional net margin method consists of comparing the net profit margin relative to an appropriate base, such as costs, sales or assets that a person achieves in a controlled transaction with the net profit margin relative to the same base achieved in comparable uncontrolled transactions.

Under this method,

(i) the net profit margin realized by the tested enterprise from a transaction entered into with an associated enterprise is computed in relation to costs incurred or sales effected or assets employed by the tested enterprise or having regard to any other relevant base;

(ii) the net profit margin realized by the tested enterprise or by an unrelated enterprise from a comparable uncontrolled transaction or a number of such transactions is computed having regard to the same base;

(iii) the net profit margin referred to in sub-paragraph (ii) of this paragraph arising in comparable uncontrolled transactions is adjusted to take into account the differences, if any, between the transaction and the comparable uncontrolled transactions, or between the enterprises entering into such transactions, which could materially affect the amount of net profit margin in the open market;

(iv) the net profit margin realized by the tested enterprise and referred to in sub- paragraph (i) of this paragraph is established to be the same as the net profit margin referred to in sub-paragraph (iii) of this paragraph;

(v) the net profit margin thus established is then taken into account to arrive at an arm's length price in relation to the transaction.

(e) Profit Split Method

This method may be applicable mainly where special conditions have been made or imposed in controlled transactions or in multiple transactions which are so interrelated that they cannot be evaluated separately for the purpose of determining the arm's length price of any transaction, by which

(i) the combined net profits of the associated enterprises arising from the transaction in which they are engaged, are determined;

(ii) the relative contributions made by each of the associated enterprises to the earning of such combined net profits are then calculated based upon a reasonable approximation of the division of profits that independent enterprises would have expected to realize from engaging in comparable transactions on the basis of the functions performed, assets employed and risks assumed by each enterprise;

(iii) the combined net profits are then split amongst the enterprises in proportion to their relative contributions;

(iv) the profits thus apportioned to the tested enterprise are taken into account to arrive at an arm's length price in relation to the controlled transaction.

Provided that the combined net profits referred to in sub-paragraph (i) of this paragraph may, in the first instance, be partially allocated to each enterprise so as to provide it with a basic return appropriate for the type of routine functionality in which it is engaged, with reference to market returns achieved for similar types of functions by independent enterprises, and thereafter, the residual net profit remaining after such allocation may be split amongst the enterprises in proportion to their unique and valuable contributions, and in such a case the aggregate of the net profit allocated to the tested enterprise in the first instance together with the residual net profit apportioned to that tested enterprise on the basis of its unique and valuable contributions shall be taken to be the net profit arising to that tested enterprise from the controlled transaction.

Provided that where there are two or more independent transactions, all being equally comparable to the controlled transaction entered into between associated enterprises, a range of prices or profit margins may be obtained derived from the application of the most appropriate method. This arm's length range shall be used to calculate the arm's length price.

(II) Arm's Length Range

An arm's length range is a range of relevant financial indicator figures (e.g. prices or margins) produced by the application of the most appropriate transfer pricing method as set out in this regulation, to a number of uncontrolled transactions with a relatively equal degree of comparability to the controlled transaction based on a comparability analysis conducted in accordance with Regulation 3. For the purpose of Regulation 2, the interquartile range is considered to be the arm's length range.

Where the actual price for a controlled transaction between associated enterprises is within the arm's length range, the actual price shall be treated as the arm's length price for such transaction.

Where the actual price for a controlled transaction between associated enterprises is not within the arm's length range, the median in the arm's length range shall be treated as the arm's length price for such transaction. For the purposes of this paragraph, the median of the arm's length range shall be the 50th percentile of the financial indicator figures derived from the comparable uncontrolled transactions forming the arm's length range.

3. Comparability Factors - For the purposes of Regulation 2, the comparability of a controlled transaction between associated enterprises with uncontrolled transactions shall be judged with reference to the following:

(a) the contractual terms (whether or not such terms are formal or in writing) of the controlled transactions which lay down explicitly or implicitly how the responsibilities, risks and benefits are to be divided between the respective parties to such transactions;

(b) the functions performed, taking into account assets employed and the risks assumed, by the respective parties to such transaction;

(c) the specific characteristics of the property transferred or services provided in such transaction;

(d) the economic circumstances and business strategies related to such transactions between associated enterprises, specifying the conditions prevailing in the markets in which the respective associated enterprises to such transactions operate, including the geographical location and size of the markets, the laws and Government orders in force, costs of labour and capital in the markets, overall economic development and level of competition and whether the markets are wholesale or retail, among other.

4. Comparability -An uncontrolled transaction shall be comparable to a controlled transaction, if:

(i) none of the differences, if any, between the transactions being compared, are likely to materially affect the financial indicators being examined in the methodology (e.g price or profit margin); or

(ii) reasonably accurate adjustments can be made to eliminate the material effects of such differences.

The data to be used in analyzing the comparability of an uncontrolled transaction with a controlled transaction shall be the data relating to the year of assessment in which such transaction has been entered into.

Provided that data relating to a period not being more than two years prior to such year of assessment may also be considered if such data reveals facts which could have an influence on the determination of transfer prices in relation to the transactions being compared.

5. Most appropriate method -

(a) For the purposes of Regulation 2, the most appropriate method shall be the method which is best suited to the facts and circumstances of each particular controlled transaction between associated enterprises, and which provides the most reliable measure of an arm's length price in relation to such transaction.

(b) In selecting the most appropriate method, the following factors shall be taken into account, namely:

(i) the nature and class of such transaction based on the functions performed, the assets employed and risks assumed by associated enterprises entering into such transaction;

(ii) the availability, coverage and reliability of data (in particular on uncontrolled comparable transactions) necessary for the application of the method;

(iii) the degree of comparability existing between controlled transaction and the uncontrolled transactions;

(iv) the extent to which reliable and accurate adjustments can be made to account for differences, if any, between controlled transaction and the comparable uncontrolled transactions.

6. Transfer Pricing Documentation and Disclosure Form - Enterprises carrying out controlled transactions with associated enterprises subject to section 76 and/or 77 of the Act, as the case may be, must maintain documents and submit information regarding controlled transactions, including information on those associated enterprises, as follows.

(a) Preparing and maintaining Transfer Pricing Documentation

Enterprises carrying out controlled transactions with associated enterprises subject to section 76 and/or 77, as the case may be, shall be responsible for preparing and maintaining transfer pricing documentation including:

(i) Local File referring specifically to material and controlled transactions of the local taxpayer, according to Annexure I.

(ii) Master File containing standardised information relevant for all the members of a multinational group, according to Annexure II.

(iii) Country-by-Country Report containing certain information relating to the global allocation of the multinational group's income and taxes paid together with certain indicators of the location of economic activity within the group, according to Annexure III.

The Local File referred to in the above item (i) is to be prepared and maintained by those enterprises that carry out aggregate controlled transactions with associated enterprises exceed Sri Lankan Rupees (LKR) 200 million for each year of assessment as recorded in the books of account. The local file must be prepared in English in the case of international transactions. The local file should be kept available for a period of six years from the end of the relevant year of assessment, and it should include the information specified in **Annexure I** of this Regulation (The transaction here does not include dividend and granting or repayment of loan Capital).

The Master File referred to in the above item (ii) is to be prepared and maintained by those enterprises that have declared group revenue whose value exceeds 50 million Euro or its equivalent in Sri Lanka Rupees for each year of assessment as recorded in the books of account commencing from year of assessment 2020/2021, notwithstanding anything to the contrary in the *Gazette Extraordinary* No. 2104/4 dated December 31, 2018. The Master file which is maintained in English should include the information specified in **Annexure II** of this Regulation.

The Country-by-Country Report referred to in above item (iii) is to be prepared and filed according to paragraph (e) of this Regulation.

(b) Non requirement of maintaining fresh documents

Where any controlled transaction continues to have effect over more than one year of assessment, fresh documentation need not be maintained separately in respect of each year of assessment, unless there is any significant change in the nature or terms of such transaction, in the assumptions made, or in any other factor which could influence the transfer price, and in case of such significant change, fresh documentation as may be necessary under this Regulation shall be maintained bringing out the impact of change on the pricing of such transaction.

In case the taxpayer's operation reflects no significant change, the searches in databases for comparable should be updated every three years instead of annually. Financial data for the comparable should nonetheless be updated every year in order to apply the arm's length principle reliably.

Notwithstanding the above, the substantial obligation of complying with the arm's length principle in controlled transactions with associated enterprises remains mandatory for all taxpayers and therefore, they shall be required to substantiate on the basis of documents mentioned in above paragraph (a) or on the basis of any other material available with them when the notice is sent to the taxpayer.

(c) Submission of Transfer Pricing Documentation

The transfer pricing documentation specified in Regulation 6(a)(i) and 6(a)(ii) shall be submitted by the taxpayer within 60 calendar days of the written request being duly issued by the Commissioner General of Inland Revenue (herein after referred to as Commissioner General).

The obligation of the taxpayer to provide this documentation is established without prejudice to the power of the Commissioner General to request additional information that in the course of audit procedures it deems necessary to carry out its functions.

(d) Preparation and Submission of Transfer Pricing Disclosure Form

Enterprises that carry out during a year assessment aggregate controlled transactions that exceed LKR 200 million with associated enterprises are obliged to prepare and file an annual transfer pricing disclosure form along with the Return of Income as per the format disclosed in **Annexure IV.** Guideline for filling the form is given in **Annexure V.**

(e) Submission of Country-by-Country Report ("CbCR") by the ultimate parent entity according to Annexure III

(I) Definitions

For purposes of paragraph (e) of this regulation the following terms have the following meanings:

(i) The term **"Group"** means a collection of enterprises related through ownership or control such that it is either required to prepare Consolidated Financial Statements for financial reporting purposes under applicable accounting principles or would be so required if equity interests in any of the enterprises were traded on a public securities exchange.

(ii) The term **"MNE Group"** means any Group that

(a) includes two or more enterprises the tax residence for which is in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction, and

(b) is not an Excluded MNE Group.

(iii) The term **"Excluded MNE Group"** means, with respect to any Fiscal Year of the Group, a Group having total consolidated group revenue of less than 750 million Euro or its equivalent in Sri Lanka Rupees during the Fiscal Year immediately preceding the Reporting Fiscal Year as reflected in its Consolidated Financial Statements for such preceding Fiscal Year.

(iv) The term **"Constituent Entity"** means:

(a) any separate business entity of an MNE Group that is included in the Consolidated Financial Statements of the MNE Group for financial reporting purposes, or would be so included if equity interests in such business unit of an MNE Group were traded on a public securities exchange;

(b) any such business entity that is excluded from the MNE Group's Consolidated Financial Statements solely on size or materiality grounds; and

(c) any permanent establishment of any separate business entity of the MNE Group included in (a) or (b) of above item (ii), provided the business entity prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting, or internal management control purposes.

(v) The term **"Reporting Entity"** means the Constituent Entity that is required to file a Country-by-Country report conforming to the requirements specified in sub-paragraph (IV) of paragraph (e) of this regulation in its jurisdiction of tax residence on behalf of the MNE Group. The Reporting Entity may be the Ultimate Parent Entity, the Surrogate Parent Entity, or any entity described in item (ii) of sub paragraph (II) of paragraph (e) of this regulation.

(vi) The term **"Ultimate Parent Entity"** means a Constituent Entity of an MNE Group that meets the following criteria:

(a) it owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is required to prepare Consolidated Financial Statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and

(b) there is no other Constituent Entity of such MNE Group that owns directly or indirectly an interest described in sub-paragraph (a) of paragraph (vi) above in the first mentioned Constituent Entity.

(vii) The term **"Surrogate Parent Entity"** means one Constituent Entity of the MNE Group that has been appointed by such MNE Group, as a sole substitute for the Ultimate Parent Entity, to file the Country-by-Country Report in that Constituent Entity's jurisdiction of tax residence, on behalf of such MNE Group, when one or more of the conditions set out in numeral (b) of item (ii) of sub paragraph (II) of paragraph (e) of this regulation applies.

(viii) The term **"Fiscal Year"** means an annual accounting period with respect to which the Ultimate Parent Entity of the MNE Group prepares its financial statements.

(ix) The term **"Reporting Fiscal Year"** means that Fiscal Year the financial and operational results of which are reflected in the Country-by-Country Report defined in sub-paragraph (IV) of paragraph (e) of this regulation.

(x) The term **"Qualifying Competent Authority Agreement"** means an agreement that,

(a) is between authorised representatives of those jurisdictions that are parties to an International Agreement, and

(b) requires the automatic exchange of Country-by-Country Reports between the parties to the Agreement.

(xi) The term **"International Agreement"** shall mean any bilateral or multilateral Agreement for Mutual Administrative Assistance in Tax Matters, any bilateral or multilateral Tax Agreement, or any Tax Information Exchange Agreement to which Sri Lanka is a party, and that by its terms provides legal authority for the exchange of tax information between jurisdictions, including automatic exchange of such information.

(xii) The term **"Consolidated Financial Statements"** means the financial statements of an MNE Group in which the assets, liabilities, income, expenses and cash flows of the Ultimate Parent Entity and the Constituent Entities are presented as those of a single economic entity.

(xiii) The term **"Systemic Failure"** with respect to a jurisdiction means that a jurisdiction has a Qualifying Competent Authority Agreement in effect with Sri Lanka, but has suspended automatic exchange (for reasons other than those that are in accordance with the terms of that Agreement) or otherwise persistently failed to automatically provide to Sri Lanka Country-by-Country Reports in its possession of MNE Groups that have Constituent Entities in Sri Lanka.

(II) Filing Obligation

(i) Each Ultimate Parent Entity of an MNE Group that is resident for tax purposes in Sri Lanka shall file a Country-by-Country Report conforming to the requirements of sub-paragraph (IV) of paragraph (e) of this regulation with the Commissioner General with respect to its Reporting Fiscal Year on or before the date specified in sub-paragraph (V) of paragraph (e) of this regulation.

(ii) A Constituent Entity which is not the Ultimate Parent Entity of an MNE Group shall file a Country-by-Country Report conforming to the requirements of sub-paragraph (IV) of paragraph (e) of this regulation with the Commissioner General with respect to the Reporting Fiscal Year of an MNE Group of which it is a Constituent Entity, on or before the date specified in sub-paragraph (V) of paragraph (e) of this regulation if the following criteria are satisfied:

(a) the entity is resident for tax purposes in Sri Lanka, and

(b) one of the following conditions applies:

(aa) the Ultimate Parent Entity of the MNE Group is not obligated to file a Country-by-Country Report in its jurisdiction of tax residence; or, (bb) the jurisdiction in which the Ultimate Parent Entity is resident for tax purposes has a current International Agreement to which Sri Lanka is a party but does not have a Qualifying Competent Authority Agreement in effect to which Sri Lanka is a party by the time specified in sub-paragraph (V) of paragraph (e) of this regulation for filing the Country-by-Country Report for the Reporting Fiscal Year; or

(cc) there has been a Systemic Failure of the jurisdiction of tax residence of the Ultimate Parent Entity that has been notified by the Commissioner General to the Constituent Entity resident for tax purposes in Sri Lanka.

(iii) Where there are more than one Constituent Entities of the same MNE Group that are resident for tax purposes in Sri Lanka and one or more of the conditions set out in item (ii) above apply, the MNE Group may designate one of such Constituent Entities to file the Country-by-Country Report conforming to the requirements of sub-paragraph (IV) of paragraph (e) of this regulation with the Commissioner General with respect to any Reporting Fiscal Year on or before the date specified in sub-paragraph (V) of paragraph (e) of this regulation, and to notify the Commissioner General that the filing is intended to satisfy the filing requirement of all the Constituent Entities of such MNE Group that are resident for tax purposes in Sri Lanka.

(iv) Notwithstanding the provisions of item (ii) of sub-paragraph (II) of paragraph (e) of this regulation, when one or more of the conditions set out in sub-item (b) of item (ii) of sub-paragraph (II) of paragraph (e) of this regulation apply, an entity described in item (ii) of sub-paragraph (II) of paragraph (e) of this regulation shall not be required to file a Country-by- Country Report with the Commissioner General with respect to any Reporting Fiscal Year if the MNE Group of which it is a Constituent Entity has made available a Country-by-Country Report conforming to the requirements of sub-paragraph (IV) of paragraph (e) of this regulation with respect to such Fiscal Year through a Surrogate Parent Entity that files that Country-by-Country Report with the tax authority of its jurisdiction of tax residence on or before the date specified in sub- paragraph (V) of paragraph (e) of this regulation and that satisfies the following conditions:

(a) the jurisdiction of tax residence of the Surrogate Parent Entity requires filing of Country-by-Country Reports confirming to the requirements of sub-paragraph (IV) of paragraph (e) of this regulation;

(b) the jurisdiction of tax residence of the Surrogate Parent Entity has a Qualifying Competent Authority Agreement in effect to which Sri Lanka is a party by the time specified in sub-paragraph (V) of paragraph (e) of this regulation for filing the Country-by-Country Report for the Reporting Fiscal Year;

(c) the jurisdiction of tax residence of the Surrogate Parent Entity has not notified the Commissioner General of a Systemic Failure;

(d) the jurisdiction of tax residence of the Surrogate Parent Entity has been notified in accordance with item (i) of sub-paragraph (III) of paragraph (e) of this regulation by the Constituent Entity resident for tax purposes in its jurisdiction that it is the Surrogate Parent Entity; and

(e) a notification has been provided to the Commissioner General in accordance with item (ii) of sub-paragraph (III) of paragraph (e) of this regulation.

(III) Notification

(i) Any Constituent Entity of an MNE Group that is resident for tax purposes in Sri Lanka shall notify Commissioner General whether it is the Ultimate Parent Entity or the Surrogate Parent Entity, no later than December 3 l[st] of the Reporting Fiscal Year of such MNE Group.

(ii) Where a Constituent Entity of an MNE Group that is resident for tax purposes in Sri Lanka is not the Ultimate Parent Entity nor the Surrogate Parent Entity, it shall notify the Commissioner General of the identity and tax residence of the Reporting Entity, no later than December 31[st] of the Reporting Fiscal Year of such MNE Group.

(IV) Country-by-Country Report

(i) For purposes of Paragraph (e) of this Regulation, a Country-by-Country Report with respect to an MNE Group is a report containing:

(a) Aggregate information relating to the amount of revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees, and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the MNE Group operates;

(b) An identification of each Constituent Entity of the MNE Group setting out the jurisdiction of tax residence of such Constituent Entity, and where different from such jurisdiction of tax residence, the jurisdiction under the laws of which such Constituent Entity is organized, and the nature of the main business activity or activities of such Constituent Entity.

(ii) The Country-by-Country Report shall be filed in a form identical to and applying the definitions and instructions contained in the standard template set out at **Annexure III** of this *Gazette* Notification.

(V) Time for filing

The Country-by-Country Report required by Paragraph (e) of this regulation shall be filed no later than 12 months after the last day of the Reporting Fiscal Year of the MNE Group.

(VI) Use and Preserve Confidentiality of Country-by-Country Report Information

(i) The Transfer Pricing Officers shall use the Country-by-Country Report for purposes of assessing high-level transfer pricing risks and other Base Erosion and Profit Shifting related risks in Sri Lanka, including assessing the risk of non-compliance by members of the MNE Group with applicable transfer pricing rules, and where appropriate for economic and statistical analysis. Transfer pricing adjustments by the Transfer Pricing Officers will not be based on the Country-by-Country Report.

(ii) The Commissioner General shall preserve the confidentiality of the information contained in the Country-by-Country Report at least to the same extent that would apply if such information were provided to it under the provisions of a double taxation agreement or a Mutual Administrative Assistance Agreement entered in to under the Act.

(VII) Effective Date

For the purpose of Paragraph (e) of this Regulation is effective for Reporting Fiscal Years of MNE Groups beginning on or after April 1, 2020, notwithstanding anything to the contrary in the previous *Gazette Extraordinary* No. 2104/4 dated December 31, 2018.

(f) Penal Provisions

Where any person who fails to comply with the requirements of section 76 and/or 77 in relation to any controlled transaction with associated enterprises, the Commissioner General may impose on such person the following penalties:

(i) **Penalty on not preparing and maintaining Transfer Pricing Documentation -**
Non preparing and non-maintaining of the transfer pricing documentation mentioned in Regulation 6 will lead to penal provisions specified in section **184** of the Inland Revenue Act.

(ii) **Penalty on Non submission of requested documents-** Non submission of the required documents will lead to penal provisions specified in section 184 of the said Act..

(iii) **Penalty on Non-disclosure of any required information -** Non disclosure of any required information will lead to penal provisions specified in section 184 of the said Act.

(iv) **Penalty on Non submission of documents prescribed in regulation 6 on or before the specified date -** Non submission of the documents prescribed in Regulation 6 on or before specified date will lead to penal provisions specified in section 184 of the said Act.

(v) **Penalty on concealment of the particulars or furnish inaccurate particulars -**
concealment of the particulars of his income or furnished inaccurate particulars of such income will lead to penal provisions specified in section 184 of the Act.

(vi) Apart from the penalties mentioned in section 184, the penalties specified in section 185 and criminal proceedings specified in Chapter XV11I are applicable for transfer pricing.

7. Advance Pricing Agreements (APA) —With a view to supplement the traditional administrative, judicial and treaty mechanisms for resolving transfer pricing issues, any person who has controlled international transactions can enter into an Advance Pricing Agreement with the Commissioner General. An Advance Pricing Agreement determines, in advance of specified international transactions with associated enterprises (i.e. the controlled transactions covered by the agreement), an appropriate set of criteria (e.g. methodology, appropriate adjustments thereto, and critical assumptions as to the future events) for the determination of the arm’s length price for those transactions over a fixed period of time.

(a) The agreements can basically be divided into the following two categories:

(i) Unilateral Advance Pricing Agreements: Where by the Commissioner General and the taxpayer come into an agreement with regard to a particular transaction between associated enterprises without involvement of other interested tax administrations, though it may affect the tax liability of the associated enterprise in other tax jurisdictions.

(ii) Bilateral / Multilateral Advance Pricing Agreements: Where by two or more tax authorities in different jurisdictions come in to an agreement with regard to a particular transaction between associated enterprises. The bilateral or multilateral approach is considered equitable to all tax administrations and taxpayers and provides greater certainty to the taxpayer concerned.

(b) An Advance Pricing Agreement may be entered into between a taxpayer and the Commissioner-General in respect of the arm’s length result of an international transaction with an associate enterprise.

(c) The Commissioner General may agree to enter into an advance pricing agreement on a unilateral basis or through consultation with the competent authority of the country of residence of the associated enterprise with which the transaction is to be entered into, provided that the country of residence is a country with which Sri Lanka has a double taxation agreement.

(d) Where the Commissioner-General enters into an advance pricing agreement with a taxpayer, provided that the terms and conditions set out in the advance pricing agreements are fully complied with, no adjustment will be made by the Commissioner General under section 76 of the Inland Revenue Act to the transaction that is within the scope of the APA.

(e) Advance Pricing Agreements shall have a validity not exceeding four years of assessments. Taxpayers shall request for an agreement before the Commissioner General and may request modifications or its cancellation, subject to the Commissioner General's evaluation and approval. The Commissioner General will specify the manner in which the Advance Pricing Agreement process shall operate by issuing an APA Guideline, which will specify:

(aa) eligibility for application for an Advance Pricing Agreement;

(bb) term limits for Advance Pricing Agreements;

(cc) the application procedure and process;

(dd) annual compliance procedures for concluded Advance Pricing Agreements;

(ee) the conditions and procedures for revocation or cancellation of an Advance Pricing Agreement;

(ff) other requirements as may be necessary.

8. Associated Enterprises— For the purposes of sections76 and 77 of the Inland Revenue Act and for these regulations, two enterprises shall be deemed to be associated enterprises, if, at any time during the year of assessment, any of the following conditions is met.

(a) any person or enterprise holds, directly or indirectly, shares or otherwise carrying the majority of the voting power in the other enterprise;

(b) any person or enterprise holds, directly or indirectly, shares carrying not less than fifty percent of the voting power in each of such enterprise;

(c) loans advanced by one enterprise to another enterprise constitute not less than fifty-one percent of the book value of the total assets of the other enterprise provided that it is not given by a financial institution which is not considered as an associated enterprise under any other item of this regulation;

(d) Loans and equity provided by one enterprise to another enterprise constitute not less than fifty-one percent of the book value of the total assets of the other enterprise provided that it is not given by a financial institution which is not considered as an associated enterprise under any other item of this regulation;

(e) one enterprise guarantees not less than twenty five percent of the total borrowings of the other enterprise;

(f) more than half of the board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of one enterprise, are appointed by the other enterprise;

(g) more than half of the board of directors or members of the governing board, or one or more of the executive directors or members of the governing board, of each of the two enterprises are appointed by the same person or persons;

(h) ninety percent or more of the raw materials, semi-finished goods and consumables required for the manufacture or processing of goods or articles carried out by one enterprise, or of purchases required for the sale, are supplied by the other enterprise, or by persons specified by the other enterprise, and the prices and other conditions relating to the supply are influenced by such other enterprise;

(i) the goods or articles manufactured or processed by one enterprise are sold/ transferred to another enterprise or to persons specified by the enterprise, and the prices and other conditions relating thereto are influenced by such enterprise or vice versa;

(j) where one enterprise is controlled by an individual or jointly by such individual and his relative, and the other enterprise is controlled by such individual or his relative or jointly by such individual and his relative or jointly by relatives of such individual;

(k) where one enterprise is a firm, association of persons or body of individuals, the other enterprise holds not less than ten percent interest in such firm, association of persons or body of individuals, or

(1) where the controlled transaction differs from the transactions that would have been made or imposed by any person not directly participating in the management, control or capital as mentioned in section 76 or 77, but confers a potential advantage to the enterprise.

9. Corresponding adjustments for domestic transactions - Where an adjustment is made under section77 of the Act to the taxable income of a taxpayer in relation to a domestic transaction, no tax adjustment would be made to the taxable income of the other party to the transaction.

Where the total income of an associated enterprise is computed on the arm's length price, which is determined under the provisions of section 77 of the Act and paid to another associated enterprise from which tax has been deducted [or is deductible] the income of other associated enterprise shall not be recomputed by reason of such determination of arm's length price in the case of the first mentioned enterprise.

10. Corresponding adjustments to prevent double taxation in the case of international transactions

(1) Where -

(a) an adjustment to the control transactions between a taxpayer resident in Sri Lanka and an associated enterprise is made or proposed by a tax administration in a country other than Sri Lanka, and

(b) this adjustment results in the taxation in that other country of an amount of income on which the taxpayer resident in Sri Lanka has already been charged to tax in Sri Lanka; and

(c) the country making or proposing the adjustment has a Double Taxation Avoidance Agreement with Sri Lanka that reflects an intention to provide for the relief of economic double taxation,

the adjustment should be made subject to the provisions of such agreement and subject to following paragraphs.

(2) The Commissioner General shall, after a request is made by the taxpayer resident in Sri Lanka, examine the consistency of that adjustment with the arm's length principle provided for under section 76, consulting as necessary with the competent authority of the other country.

(3) If the adjustment proposed or made by the other country is consistent with the arm's length principle both in principle and as regards the amount, the Commissioner General shall make a corresponding adjustment to the amount of the tax charged in Sri Lanka to that person on those profits, in order to eliminate the economic double taxation that would result from the inclusion of the same profits in the taxable income of both that taxpayer and the associated enterprise.

(4) **A** request under Regulation 10 must include the information necessary for the Commissioner General to examine the consistency of the adjustment made by the tax administration of the other country with the arm's length principle, including -

(a) the name, registered address and, where applicable, trading name(s) of the associated enterprise(s);

(b) evidence of the tax residence of the associated enterprise(s);

(c) the year(s) in which the adjusted transaction(s) with the associated enterprise(s) took place;

(d) the amount of the requested corresponding adjustment and the amounts of the adjustment made by the tax administration of the other country;

(e) evidence of the adjustment made by the tax administration of the other country and the basis for the adjustment, including details of comparability analysis relied upon and the transfer pricing method applied;

(f) confirmation that the associated enterprise(s) will not, or is unable to, pursue any further recourse under the domestic law of the other country that may result in the adjustment made by the tax administration of the other country being reduced or reversed;

(g) any other information that may be relevant for examining the consistency of the adjustment with the arm's length principle.

(5) The request must be made within the applicable time period for making a request for the case to be resolved by way of the mutual agreement procedure under the applicable tax treaty.

Annexure I

Transfer pricing documentation - Local File

The following information shall be included in the local file:

Part A - **Local entity**

- A description of the ownership structure of the local entity with details of shares or other ownership interest held therein by other enterprises.
- A description of the management structure of the local entity, a local organization chart, and a description of the individuals to whom local management reports and the country(ies) in which such individuals maintain their principal offices.
- A detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity.

- A description of important business restructuring transactions, acquisitions and divestitures occurring during the year of assessment.

- A record of economic and market analysis, forecasts, budgets or any other financial estimates prepared by the local entity for the business as a whole and for each division or product separately, which may have a bearing on the controlled transactions entered into.

- Key competitors.

Part B - Controlled Transactions

For aggregate value of each category of controlled transactions in which the entity is involved is more than LKR 200 million for the particular year of assessment, the following information shall be provided.

- description of the controlled transactions (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licenses of intangibles, etc.) and the context in which such transactions take place.

- The amount of intra-group payments and receipts for each category of controlled transactions involving the local entity (i.e. payments and receipts for products, services, royalties, interest, etc.), and in the case of international transactions, broken down by tax jurisdiction of the foreign payer or recipient.

- An identification of associated enterprises involved in each category of controlled transactions, and the relationship amongst them.

- Copies of intercompany agreements concluded by the local entity.

- A detailed comparability and functional analysis of the taxpayer and relevant associated enterprises with respect to each category of controlled transactions, including any changes compared to prior years.

- The assumptions, policies and price negotiations, if any, which have critically affected the determination of the arm's length price.

- An indication of the most appropriate transfer pricing method with regard to the category of transaction and the reasons for selecting that method.

- An indication of which associated enterprise is selected as the tested enterprise, if applicable, and an explanation of the reasons for this selection.

- A summary of the important assumptions made in applying the transfer pricing methodology.

- If relevant, an explanation of the reasons for performing a multi-year analysis.

- A list and description of selected comparable uncontrolled transactions (internal or external), if any, and information on relevant financial indicators for independent enterprises relied on in the transfer pricing analysis, including a description of the comparable search methodology and the source of such information.

- A description of any comparability adjustments performed, and an indication of whether adjustments have been made to the results of the tested enterprise, the comparable uncontrolled transactions, or both.

- A description of the reasons for concluding that relevant transactions were priced on an arm's length basis based on the application of the selected transfer pricing method.

- A summary of financial information used in applying the transfer pricing methodology.
- A copy of existing unilateral and bilateral/multilateral APAs and other tax rulings to which the local tax jurisdiction is not a party and which are related to controlled transactions described above.
- Any other information, data or document, including information or data relating to the associated enterprises, which may be relevant for determination of the arm's length price.

Part C - Financial information and supporting documents

- Annual local entity financial accounts for the fiscal year concerned. If audited statements exist, they should be supplied and if not, existing unaudited statements should be supplied.
- Information and allocation schedules showing how the financial data used in applying the transfer pricing method may be tied to the annual financial statements.
- Summary schedules of relevant financial data for comparables used in the analysis and the sources from which that data was obtained.
- Official publications, reports, studies and data bases from the Government of the country of residence of the associated enterprises, or of any other country which are relevant to the case.
- Reports of market research studies carried out and technical publications, data bases brought out by institutions of national or international repute.
- Price publications including stock exchange and commodity market quotations.
- Letters and other correspondence documenting any terms negotiated between the taxpayer and the associated enterprise.
- Documents normally issued in connection with various transactions under the accounting practices followed.

Annexure II

Transfer pricing documentation - Master File

The following information shall be included in the master file:

Part A - Organisational structure

- Chart illustrating the MNE's legal and ownership structure and geographical location of operating entities.

Part B - Description of MNE's business(es)

- General written description of the MNE's business including:
    - Important drivers of business profit;
    - A description of the supply chain for the group's five largest products and/or service offerings by turnover plus any other products and/or services amounting to more than 5 percent of group turnover. The required description could take the form of a chart or a diagram;

- A list and brief description of important service arrangements between members of the MNE group, other than research and development (R&D) services, including a description of the capabilities of the principal locations providing important services and transfer pricing policies for allocating services costs and determining prices to be paid for intra-group services;

- A description of the main geographic markets for the group's products and services that are referred to in the second bullet point above;

- A brief written functional analysis describing the principal contributions to value creation by individual entities within the group, i.e. key functions performed, important risks assumed, and important assets used;

- A description of important business restructuring transactions, acquisitions and divestitures occurring during the fiscal year.

Part C - MNE's Intangibles

- A general description of the MNE's overall strategy for the development, ownership and exploitation of intangibles, including location of principal R&D facilities and location of R&D management.

- A list of intangibles or groups of intangibles of the MNE group that are important for transfer pricing purposes and which entities legally own them.

- A list of important agreements among identified associated enterprises related to intangibles, including cost contribution arrangements, principal research service agreements and license agreements.

- A general description of the group's transfer pricing policies related to R&D and intangibles.

- A general description of any important transfers of interests in intangibles among associated enterprises during the fiscal year concerned, including the entities, countries, and compensation involved.

Part D - MNE's Intercompany Financial Activities

- A general description of how the group is financed, including important financing arrangements with unrelated lenders.

- The identification of any members of the MNE group that provide a central financing function for the group, including the country under whose laws the entity is organized and the place of effective management of such entities.

- A general description of the MNE's general transfer pricing policies related to financing arrangements between associated enterprises.

Part E - MNE's Financial and Tax Positions

- The MNE's annual consolidated financial statement for the fiscal year concerned if otherwise prepared for financial reporting, regulatory, internal management, tax or other purposes.

- A list and brief description of the MNE group's existing unilateral Advance Pricing Agreements (APAs) and other tax rulings relating to the allocation of income among countries.

Annexure 111 - Country-by-Country Report Template

The following is the template of the Country-by-Country Report:

Table **1. Overview of allocation of income, taxes and business activities by tax jurisdiction**

Name of the MNE Group:
Fiscal year concerned:
Currency used:

Tax Jurisdiction	*Revenue*			*Profit (Loss) before Income Tax*	*Income Tax (on Cash Basis)*	*Income Tax Accured - Current Year*	*Stated Capital*	*Accumulated Earnings*	*Number of Employees*	*Tangible Assets other than Cash and Cash Equivalents*
	Unrelated Party	*Related Party*	*Total*							

Table 2. **List of all the Consituent Entities of the MNE group included in each aggregation per tax jurisdiction**

Name of the MNE Group:
Fiscal year concerned:

Tax Jurisdiction	*Constituent Entities Resident in the Tax Jurisdictioin*	*Tax Jurisdiction of Organisation or Incorporation if Different from Tax Jurisdiction of Residence*	Main Business Activity (ies)													
			Research and Development	*Holding or Managing Intellectual Property*	*Purchasing or Procurement*	*Manufacturing or Production*	*Sales, Marketing or Distribution*	*Administrative, Management or Support Services*	*Provision of Services to Unrelated Parties*	*Internal Group Finance*	*Regulated Financial Services*	*Insurance*	*Holding Shares or Other Equity Instruments*	*Dormant*	*Other*

Table 3. **Additional Information**

Name of the MNE Group: **Fiscal year concerned:**

Annexure IV

Asmt_TPDF_01_E

Transfer Pricing Disclosure Form
Year of Assessment......................

In terms of paragraph (d) of Regulation 6 of this *Gazette* Notification issued under section 76, 77 and 194 of the Inland Revenue Act, No. 24 of 2017.

Refer "Guide to Transfer Pricing Disclosure Form" in **Annexure V** before filing this Form.

Part A: Taxpayer Information

PARTICULARS OF THE PERSON MAKING THIS DISCLOSURE:

A1: Name:

A2: Address:

City:

Postal Code:

State:

Country:

A3: Company Incorporation / Partnership Registration Number:

A4: Taxpayer Identification Number (TIN)

A5: Telephone:

A6: E-mail Address:

A7: Web Address:

Part B: Transactions with Associated Enterprises

Column I			**Column II**		**Column III**		**Column IV**
Item No.	**Transaction Item**		**Associated Enterprise (AE)**		**TP Methodology**		**Arm's Length Price**
	Category of Transactions		Name of AE		TP Method		Comparable price/margin
	Amount of Transaction (in LKR)		Associated enterprise's TIN		Profit Level Indicator		AL Range-Max
	For loans, principal amount		Country of residence		Price/Profit Margin/Rate		AL Range-Med
	For loans, ending balance		Criteria of Associated Enterprise		Tested Enterprise		AL Range-Min

Declaration

(to be completed by a Director/Principal Officer/Precedent Partner/Proprietor)

I,

with Identity Card No./Passport No. * *(*delete appropriately)*

hereby declare that this form contains information that is true, correct and complete as at.... /.........../................................,

Designation

Signature

Date

For Office use only

Date (DD/MM/YY)

Name of the Officer

Designation

Signature

Annexure V

Asmt_TPDF_02_E

Guide to Transfer Pricing Disclosure Form
Year of Assessment.............

Introduction

In terms of Regulation 6 of the Transfer Pricing Regulations it is required that enterprises having “international transactions”, or “transactions other than international transactions” made between associated enterprises who fulfil the requirements of Regulation 1 and that carry out during a year assessment aggregate control transactions that exceed LKR 200 million with associated enterprises, must submit a Transfer Pricing Disclosure Form (hereinafter referred to as, “TPDF”) along with the Return of Income Tax.

A Transfer Pricing Disclosure Form which is the means whereby an enterprise subject to the transfer pricing rules in Sri Lanka, as specified by sections 76 and 77 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as, IRA) and this Regulations, provides the Commissioner General of Inland Revenue with certain information regarding the transactions carried out with associated enterprises (control transactions) during the year of assessment. The late or inaccurate filing or no filing would subject to the penalties specified in section 184 of the IRA.

Who must file the Transfer Pricing Disclosure Form ?

According to Regulation 6, the TPDF is to be prepared and filed annually, along with the Return of Income, by those enterprises that carry out during a year assessment aggregate control transactions that exceed LKR 200 million with associated enterprises subject to section 76 and/or 77, as the case may be.

For filling Part B of the TPDF the following conditions apply:

- all Columns (Columns I to IV) of Part B of the TPDF should be filled in relation to any category of such control transactions that exceed LKR 200 million for the year of assessment.

- in case of any category of such control transactions not exceeding LKR 200 million for the year of assessment, only Column 1 and II of Part B to be filled.

The Transfer Pricing Disclosure Form must be filed as per the format disclosed in Annexure IV of this Regulations.

When is the deadline to file the Transfer Pricing Disclosure Form ?

According to Regulation 6 of this Regulations, the TPDF is to be filed annually, along with the Return of Income.

Commissioner General may give instructions in the Return of Income on how to file the TPDF.

Contents of the Transfer Pricing Disclosure Form

An explanation of each and every section and cage, as well as numerical examples, is provided below. The Transfer Pricing Disclosure Form comprises four columns that allow for the identification of:

1. The category of transactions carried out,

2. The associated enterprises with which those transactions were carried out,

3. The transfer pricing methodology used to test those transactions (only for cases where the aggregate amount of the transactions exceed Sri Lankan Rupees 200 million), and

4. The comparable arm's length price or range, according to the use of the methodology.

Part B of the TPDF has the following format :

	Column I		**Column II**		**Column III**		**Column IV**	
Item No.	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
	Category of Transaction		Name of Associated Enterprise		TP Method		Comparable Price/Margin	
	Amount of Transaction (in LKR)		Associated Enterprise's Tax Indentification Number (TIN)		Profit Level Indicator		AL Range-Max	
	For loans, Amount of principal		Country of Residence		Price/Profit Margin/Rate		AL Range-Med	
	For loans, ending balance		Criteria of Associated Enterprise		Tested Enterprise		AL Range-Low	

Below is an explanation of each column and cage:

Column I - Transaction: This section provides the detail of the transactions carried out with every associated enterprise during the year of assessment. In this section, enterprises must provide information about all the transactions they carried out with associated enterprises during the year of assessment. Transactions are those that have an impact on the revenues / deductions of the Sri Lankan entities. This column has four cages, where Sri Lankan enterprises must disclose the following information:

- ***Category of Transaction*:** Disclose the transaction codes of each particular category of transaction carried out with each associated enterprise during the reported year of assessment. Transaction codes are provided in **Annexure VI.**

- ***Amount of Transaction** (in LKR)***:** Disclose the value in LKR of each particular category of transaction carried out with each associated enterprise.

- ***For loans**, **Amount of Principal*:** If the transaction at the **"*Category of Transaction***" cage relates to interest receipts or payments, disclose the amount of the accounting balance of the principal received or provided through a loan at the beginning of the fiscal year.

- ***For loans**, **Ending Balance*:** If the transaction at the **"*Category of Transaction***" cage relates to interest receipts or payments, disclose the amount of the accounting balance of the principal received or provided through a loan at the end date of the fiscal year.

Column II - **Associated Enterprise:** This section provides the detail of the associated enterprises with which transactions were carried out during the year of assessment. In this section, taxpayer must provide information about the associated enterprises with which transactions were carried out during the year of assessment. This column has four cages, where taxpayer must disclose the following information:

- ***Name of Associated Enterprise*****:** Disclose the complete name of the associated enterprise.

- ***Associated Enterprise's Tax Identification Number*****:** Disclose the tax identification number that the associated enterprise utilizes in its country of residence for income tax purposes.

- ***Country of Residence*****:** Disclose the code for country of residence of the associated enterprise as provided in **Annexure XI**.

- ***Criteria of Associated Enterprises*****:** Disclose the code for the category of association criteria. Association criteria codes are provided in **Annexure VII** of this Guide.

Column III - TP Methodology: This section provides the detail of the transfer pricing methodology selected by the taxpayer in the analysis of the transactions carried out with associated enterprises during the year of assessment. In this section, Sri Lankan enterprises must provide information about the transfer pricing methodology used to evaluate the transactions carried out with associated enterprises during the year of assessment. This column has four cages, where Sri Lankan enterprises must disclose the following information:

- ***TP Method*****:** Disclose the transfer pricing method selected to analyse the disclosed transaction. Transfer pricing method codes are provided in **Annexure VIII.**

- ***Profit Level Indicator*****:** Disclose the profit level indicator selected to analyse the disclosed transaction. Profit level indicator codes are provided in **Annexure IX.**

- ***Price/Profit Margin/Rate*****:** Disclose the price, profit margin or rate arrived or derived from the application of transfer pricing methodology to the disclosed transaction. Include two (2) decimal places.

- ***Tested Enterprise*****:** Disclose the party to the transaction that has been selected as the tested one for the disclosed transaction. Tested enterprise codes are provided in **Annexure X.** When selecting the Comparable Uncontrolled Price Method in the "TP Method" cage, select Code 01**.**

Column IV - Arm's Length Price: This section provides the detail of the result of the application of the transfer pricing methodology to the transactions carried out with associated enterprises during the year of assessment. In this section, Sri Lankan enterprises must provide information about the results of the application of the transfer pricing methodology used to evaluate the transactions carried out with associated enterprises during the year of assessment. This column has four cages, where Sri Lankan enterprises must disclose the following information:

- ***Comparable Price/Margin****:* In case there is only one comparable price or margin, disclose its value. Include two (2) decimal places.

- ***AL Range - 75th Percentile****:* Disclose as the maximum/upper limit of the calculated arm's length range. Include two (2) decimal places.

- **AL Range - Median**: Disclose as the median of the calculated arm's length range. Include two (2) decimal places.

- **AL Range - 25th Percentile**: Disclose as the minimum/lower limit of the calculated arm's length range. Include two (2) decimal places.

Enterprises that are liable to submit TPDF must complete Part B **for each category of transaction** carried out with **each associated enterprise** (there should be a separate information item). All transactions with associated enterprises must be disclosed in the TPDF.

The following conditions apply:

- all Columns (Columns I to IV) of Part B of the TPDF should be filled in relation to any category of such control transactions that exceed LKR 200 million for the year of assessment.
- in case of any category of such control transactions not exceeding LKR 200 million for the year of assessment, only Column 1 and II of Part B of the TPDF to be filled.

Guidance and examples on the completion of the Transfer Pricing Disclosure Form

The following section illustrates the way to complete the TPDF. The example presents Sri Lankan enterprise (Company A) that carried out several transaction categories with different associated entities during a year of assessment. This example shows the way the Transfer Pricing Disclosure Form must be completed, according to those transactions and their aggregated amounts:

List of Transactions with Associated Entities:

Transaction Category No.	*Name of Associated Entities*	*Category of Transaction*	*Transaction Code*	*Quantum of each Transaction (in LKR)*
1.	Company 1 (India)	Sale of produced inventories	01	400,000,000
1.	Company 2 (China)	Sale of produced inventories	01	15,000,000
1.	Company 3 (France)	Sale of produced inventories	01	6,000,000
2.	Company 2 (China)	Purchase of non- produced inventories	28	58,000,000
3.	Company 4 (Pakistan)	Purchase of produced inventories (for distribution)	27	176,000,000
3.	Company 5 (Nepal)	Purchase of produced inventories (for distribution)	27	26,000,000
4.	Company 1 (India)	Payment of administrative services	30	51,000,000
5.	Company 3 (France)	Receipt of technical services	06	220,000,000
6.	Company 6 (Luxembourg)	Payment of interest on loans	39	300,000,000
6.	Company 1 (India)	Payment of interest on loans	39	60,000,000
7.	Company 7 (Nepal)	Receipt of Royalties	22	250,000,000
8.	Company 8 (Sri Lanka-BOI)	Payment of technical assistance	31	199,000,000
			TOTAL	**1,761,000,000**

The transactions categories identified, and their aggregate annual values are the following:

1. **Sale of produced inventories (Category of transaction code No.** 01 The total value of this transaction category (sales to associated enterprises in India, China and France) was LKR 421,000,000, which ***exceeds the LKR 200 million threshold.*** Therefore, an economic analysis including comparability and transfer pricing methodology must be performed. All four columns of the TPDF (information on the Transaction, Associated Enterprise, TP Methodology and Arm's length price) must be completed for each related party. The economic analysis needs to be in accordance with the arm's length principle.

   For purposes of the example, suppose this transaction category was tested using a Transactional Net Margin Method, and using a Return on Total Costs (ROTC) as the profit level indicator. When calculating the ROTC of Company A (the tested party), the result was 3.15%. The calculation of the ROTC of the comparable companies provided an arm's length range of ROTC that varies from 1.06% to 6.50%, with a median of 4.10%. The way to include these transactions in the TPDF is shown in items 1, 2 and 3 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
1	Category of Transaction	01	Name of Associated Enterprise	Company 1	TP Method	TNMM	Comparable Price / Range	
	Amount of Transaction (in LKR)	400,000,000	Associated Enterprise's TIN	11111111	Profit Level Indicator	ROTC	AL Range - Max (75th Percentile)	6.50%
	For loans, amount of principal		Country of residence	IND	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	1.06%
2	Category of Transaction	01	Name of associated Enterprise	Company 2	TP Method	TNMM	Comparable Price / Range	
	Amount of Transaction (in LKR)	15,000,000	Associated Enterprise's TIN	22222222	Profit Level Indicator	ROTC	AL Range - Max (75th Percentile)	6.50%
	For loans, amount of principal		Country of Residence	CHN	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	1.06%
3	Category of Transaction	01	Name of Associated Enterprise	Company 3	TP Method	TNMM	Comparable Price / Range	
	Amount of Transaction (in LKR)	6,000,000	Associated Enterprise's TIN	33333333	Profit Level Indicator	ROTC	AL Range - Max (75th Percentile)	6.50%
	For loans, amount of principal		Country of Residence	FRA	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	1.06%

2. **Purchase of non- produced inventories (Category of transaction code No. 28):** The total value of this transaction category (purchases of raw material from an associated enterprise in China) was LKR 58,000,000, which ***does not exceed the LKR 200 million threshold***. Therefore, there is no need to prepare an economic analysis. Only columns I and II of the TPDF (information on the Transaction and Associated Enterprise) must be completed. The way to include this transaction in the TPDF is in item 4 below.

COLUMN I			**COLUMN II**		**COLUMN III**		**COLUMN IV**	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
4	Category of Transaction	28	Name of Associated Enterprise	Company 2	TP Method		Comparable Price / Range	
	Amount of Transaction (in LKR)	58,000,000	Associated Enterprise's TIN	22222222	Profit level Indicator		AL Range - Max (75th Percentile)	
	For loans, amount of principal		Country of Residence	CHN	Price / Profit Margin / Rate		AL Range - Med	
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise		AL Range - Low (25th Percentile)	

3. **Purchase of produced inventories (for distribution) (Category of transaction code No. 27)**: The total value of this transaction category (purchases from associated enterprises in Pakistan and Nepal) was LKR 202,000,000, which ***exceeds the LKR 200 million threshold***. Therefore, an economic analysis including comparability and transfer pricing methodology must be performed. All four columns of the TPDF (information on the Transaction, Associated Enterprise, TP Methodology and Arm's length price) must be completed. The economic analysis needs to be in accordance with the arm's length principle.

   For purposes of the example, suppose this transaction category was tested using a Resale Price Method, and using a Gross Margin (GM) as the profit level indicator, when calculating the GM of Company A (the tested party), the result was 22.33%. The calculation of the GM of the comparable companies provided an arm's length range of GM that varies from 27.27% to 29.29%, with a median of 28.28%. The way to include these transactions in the TPDF is shown in items 5 and 6 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
5	Category of Transaction	27	Name of associated Enterprise	Company 4	TP Method	RPM	Comparable Price / Range	
	Amount of Transaction (in LKR)	176,000,000	Associated Enterprise's TIN	4444444	Profit Level Indicator	GM	AL Range - Max (75th Percentile)	29.29%
	For loans, amount of principal		Country of Residence	PAK	Price / Profit Margin / Rate	22.33%	AL Range - Med	28.28%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	27.27%
6	Category of Transaction	27	Name of associated Enterprise	Company 5	TP Method	RPM	Comparable Price / Range	
	Amount of Transaction (in LKR)	26,000,000	Associated Enterprise's TIN	55555555	Profit Level Indicator	GM	AL Range - Max (75th Percentile)	29.29%
	For loans, amount of principal		Country of Residence	NPL	Price / Profit Margin / Rate	22.33%	AL Range - Med	28.28%
	For loans, ending balance		Criteria of Associated Enterprise	05	Tested Enterprise	01	AL Range - Low (25th Percentile)	27.27%

4. **Payment of administrative services (Category of transaction code No. 30):** The total value of this transaction category (payment of services to an associated enterprise in India) was LKR 51,000,000, which ***does not exceed the LKR 200 million threshold.*** Therefore, there is no need to prepare an economic analysis. Only columns I and II of the TPDF (information on the Transaction and Associated Enterprise) must be completed. The way to include this transaction in the TPDF is in item 7 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
7	Category of Transaction	30	Name of Associated Enterprise	Company 1	TP Method		Comparable Price / Range	
	Amount of Transaction (in LKR)	51,000,000	Associated Enterprise's TIN	11111111	Profit Level Indicator		AL Range - Max (75th Percentile)	
	For loans, amountof principal		Country of Residence	IND	Price / Profit Margin / Rate		AL Range - Med	
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise		AL Range - Low (25th Percentile)	

5. **Receipt of technical services (Category of transaction code No. 06):** The total value of this transaction category (receipt of technical services from associated enterprises in France) was LKR 220,000,000, which **exceeds the LKR200 million threshold.** Therefore, an economic analysis including comparability and transfer pricing methodology must be performed. All four columns of the TPDF (information on the Transaction, Associated Enterprise, TP Methodology and Arm's length price) must be completed. The economic analysis needs to be in accordance with the arm's length principle.

For purposes of the example, suppose this transaction category was tested using a Cost Plus Method, and using a Gross Mark-up (GMk) as the profit level indicator, when calculating the GMk of Company A (the tested party), the result was 10.00%. The calculation of the GMk of the comparable companies provided an arm's length range of GMk that varies from 8.00% to 12.00%, with a median of 10.00%. The way to include this transaction in the TPDF is shown in item 8 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
8	Category of Transaction	06	Name ofAssociated Enterprise	Company3	TP Method	CPM	Comparable Price/ Range	
	Amount of Transaction (in LKR)	220,000,000	Associated Enterprise'sTIN	33333333	Profit Level Indicator	GMK	AL Range - Max (75th Percentile)	12.00%
	For loans, amount of principal		Country of Residence	FRA	Price/Profit Margin / Rate	10.00%	AL Range - Med	10.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	8.00%

6. **Payment of interest on loans (Category of transaction code No. 39):** The total value of this transaction category (payment of interest to associated enterprises in Luxembourg and India) was LKR 360,000,000, which **exceeds the LKR 200 million threshold.** Therefore, an economic analysis including comparability and transfer pricing methodology must be performed. All four columns of the TPDF (information on the Transaction, Associated Enterprise, TP Methodology and Arm's length price) must be completed. The economic analysis needs to be in accordance with the aim's length principle.

For purposes of the example, and since the economic analysis needs to be in accordance with the arm's length principle, each loan was evaluated separately because each one related to different terms and conditions. Each transaction was tested using a Comparable Uncontrolled Price Method:

- For the loan with Company 6 in Luxembourg, the agreed interest rate was 12.00%. Comparable loan agreements were identified, providing for an arm's length range of interest rates that varies from 8.00% to 12.00%, with a median of 10.00%. The way to include this transaction in the TPDF is in item 9 below.

- For the loan with Company 1 in India, the agreed interest rate was 20.00%. Comparable loan agreements were identified, providing for an arm's length range of interest rates that varies from 7.00% to 10.00%, with a median of 9.00%. The way to include this transaction in the TPDF is in item 10 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
9	Category of Transaction	39	Name of associated Enterprise	Company 6	TP Method	CUP	Comparable Price/ Range	
	Amount of Transaction (in LKR)	300,000,000	Associated Enterprise's TIN	66666666	Profit Level Indicator	Other	AL Range - Max (75th Percentile)	12.00%
	For loans, amount of principal	2,000,000,000	Country of Residence	LUX	Price / Profit Margin / Rate	12.00%	AL Range - Med	10.00%
	For loans, ending balance	2,000,000,000	Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	8.00%
10	Category of Transaction	39	Name of Associated Enterprise	Company l	TP Method	CUP	Comparable Price / Range	
	Amount of Transaction (in LKR)	60,000,000	Associated Enterprise's TIN	11111111	Profit Level Indicator	Other	AL Range - Max (7Sth Percentile)	10.00%
	For loans, amount of principal		Country of Residence	IND	Price / Profit Margin / Rate	20.00%	AL Range - Med	9.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	7.00%

7. **Receipt of royalties (Category of transaction code No. 22):** The total value of this transaction category (receipt of royalties from an associated enterprise in Nepal) was LKR 250,000,000, which **exceeds the LKR 200 million threshold.** Therefore, an economic analysis including comparability and transfer pricing methodology must be performed. All four columns of the TPDF (information on the Transaction, Associated Enterprise, TP Methodology and Arm's length price) must be completed. The economic analysis needs to be in accordance with the arm's length principle.

   For purposes of the example, this transaction was tested using a Comparable Uncontrolled Price Method. The agreed royalty rate was 4.50%. Comparable agreements were identified, providing for an arm's length range of royalty rates that varies from 4.00% to 6.00%, with a median of 5.00%. The way to include this transaction in the TPDF is in item 11 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
11	Category of Transaction	22	Name of associated Enterprise	Company7	TP Method	CUP	Comparable Price / Range	
	Amount of Transaction (in LKR)	250,000,000	Associated Enterprise'sTIN	77777777	Profit Level Indicator	Other	AL Range - Max (75th Percentile)	6.00%
	For loans, amount of principal		Country of Residence	NPL	Price / Profit Margin / Rate	4.50%	AL Range - Med	5.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterpris	01	AL Range - Low (25th Percentile)	4.00%

8. **Payment of technical assistance (Category of transaction code No. 31):** The total value of this transaction category (payment of services to an associated enterprise in Sri Lanka - a BOI company) was LKR 199,000,000, which ***does not exceed the LKR 200 million threshold*.** Therefore, there is no need to prepare an economic analysis. Only columns I and II of the TPDF (information on the Transaction and Associated Enterprise) must be completed. The way to include this transaction in the TPDF is in item 12 below.

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
12	Category of Transaction	31	Name of Associated Enterprise	Company8	TP Method		Comparable Price / Range	
	Amount of Transaction (in LKR)	199,000,000	Associated Enterprise's TIN	88888888	Profit Level Indicator		AL Range - Max (75^{th} Percentile)	
	For loans, amount of principal		Country of Residence	LKA	Price / Profit Margin /Rate		AL Range - Med	
	For loans, ending balance Enterprise		Criteria of Associated	02	Tested Enterprise		AL Range - Low (25^{th} Percentile)	

In summary, the complete TPDF of Company A for the particular year of assessment will be as presented below:

COMPANY A's TRANSFER PRICING DISCLOSURE FORM

Year of Assessment

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
1	Category of Transaction	01	Name of Associated Enterprise	Company 1	TP Method	TNMM	Comparable price / range	
	Amount of Transaction (in LKR)	400,000,000	Associated Enterprise'sTIN	11111111	Profit Level Indicator	ROTC	AL Range - Max (75^{th} Percentile)	6.50%
	For loans, amount of principal		Country of Residence	1ND	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range-Low (25^{th} Percentile)	1.06%
2	Category of Transaction	01	Name of associated Enterprise	Company 2	TP Method	TNMM	Comparable price / range	
	Amount of Transaction (in LKR)	15,000,000	Associated Enterprise'sTIN	22222222	Profit Level Indicator	ROTC	AL Range - Max (75^{th} Percentile)	6.50%
	For loans, amount of principal		Country of Residence	CHN	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25^{th} Percentile)	1.06%
3	Category of Transaction	01	Name of Associated Enterprise	Company 3	TP Method	TNMM	Comparable price / range	
	Amount of Transaction (in LKR)	6,000,000	Associated Enterprise'sTax Identification Number	33333333	Profit Level Indicator	ROTC	AL Range - Max (75^{th} Percentile)	6.50%

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	Transaction		Associated Enterprise		TP Methodology		Arm's Length Price	
	For loans, amount of principal		Country of Residence	FRA	Price / Profit Margin / Rate	3.15%	AL Range - Med	4.10%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	1.06%
4	Category of Transaction	28	Name of Associated Enterprise	Company 2	TP Method		Comparable price / range	
	Amount of Transaction (in LKR)	58,000,000	Associated Enterprise'sTIN	22222222	Profit Level Indicator		AL Range - Max (75th Percentile)	
	For loans, amount of principal		Country of Residence	CHN	Price / Profit Margin / Rate		AL Range - Med	
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise		AL Range - Low (25th Percentile)	
5	Category of Transaction	27	Name of Associated Enterprise	Company 4	TP Method	RPM	Comparable price / range	
	Amount of Transaction (in LKR)	176,000,000	Associated Enterprise'sTIN	44444444	Profit Level Indicator	GM	AL Range - Max (75th Percentile)	29.29%
	For loans, amount of principal		Country of Residence	PAK	Price / Profit Margin / Rate	22.33%	AL Range - Med	28.28%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	27.27%
6	Category ofT ransaction	27	Name of Associated Enterprise	Company 5	TP Method	RPM	Comparable price / range	
	Amount of Transaction (in LKR)	26,000,000	Associated Enterprise'sTIN	55555555	Profit Level Indicator	GM	AL Range - Max (75th Percentile)	29.29%
	For loans, amount of principal		Country of Residence	NPL	Price / Profit Margin / Rate	22.33%	AL Range - Med	28.28%
	For loans, ending balance		Criteria of Associated Enterprise	05	Tested Enterprise	01	AL Range - Low (25th Percentile)	27.27%
7	Category of Transaction	30	Name of Associated Enterprise	Company 1	TP Method		Comparable price / range	
	Amount of Transaction (in LKR)	51,000,000	Associated Enterprise'sTIN	11111111	Profit Level Indicator		AL Range - Max (75th Percentile)	
	For loans, amount of principal		Country of Residence	IND	Price / Profit Margin /Rate		AL Range - Med	
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise		AL Range - Low (25th Percentile)	
	Category of Transaction	06	Name of Associated Enterprise	Company 3	TP Method	CPM	Comparable price / range	

COLUMN I			COLUMN II		COLUMN III		COLUMN IV	
Item	**Transaction**		**Associated Enterprise**		**TP Methodology**		**Arm's Length Price**	
8	Amount of Transaction (in LKR)	220,000,000	Associated Enterprise'sTIN	33333333	Profit Level Indicator	GMK	AL Range - Max (75th Percentile)	12.00%
	For loans, amount of principal		Country of Residence	FRA	Price / Profit Margin / Rate	10.00%	AL Range - Med	10.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	8.00%
9	Category of Transaction	39	Name of Associated Enterprise	Company 6	TP Method	CUP	Comparable price / range	
	Amount of Transaction (in LKR)	300,000,000	Associated Enterprise'sTIN	66666666	Profit Level Indicator	Other	AL Range - Max (75th Percentile)	12.00%
	For loans, amount of principal	2,000,000,000	Country of Residence	LUX	Price / Profit Margin / Rate	12.00%	AL Range - Med	10.00%
	For loans, ending balance	2,000,000,000	Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	8.00%
10	Category of Transaction	39	Name of Associated Enterprise	Company 1	TP Method	CUP	Comparable price / range	
	Amount of Transaction (in LKR)	60,000,000	Associated Enterprise'sTIN	11111111	Profit Level Indicator	Other	AL Range - Max (75th Percentile)	10.00%
	For loans, amount of principal		Country of Residence	IND	Price / Profit Margin / Rate	20.00%	AL Range - Med	9.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	7.00%
11	Category of Transaction	22	Name of Associated Enterprise	Company 7	TP Method	CUP	Comparable price / range	
	Amount of Transaction (in LKR)	250,000,000	Associated Enterprise'sTIN	77777777	Profit Level Indicator	Other	AL Range - Max (75th Percentile)	6.00%
	For loans, amount of principal		Country of Residence	NPL	Price / Profit Margin / Rate	4.50%	AL Range - Med	5.00%
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise	01	AL Range - Low (25th Percentile)	4.00%
12	Category of Transaction	31	Name of Associated Enterprise	Company 8	TP Method		Comparable price / Range	
	Amount of Transaction (in LKR)	199,000,000	Associated Enterprise'sTIN	88888888	Profit Level Indicator		AL Range - Max (75th Percentile)	
	For loans, amount of principal		Country of Residence	LKA	Price / Profit Margin / Rate		AL Range - Med	
	For loans, ending balance		Criteria of Associated Enterprise	02	Tested Enterprise		AL Range - Low (25th Percentile)	

ANNEXURE VI: Transaction Codes for categories of transactions with associated enterprises

(i) Revenue Transactions

Transaction Code No.	*Description*
01	Sale of produced inventories
02	Sale of non-produced inventories
03	Production supporting services
04	Administrative services
05	Technical assistance
06	Technical services
07	Other services
08	Fees
09	Commissions
10	Promotional activities
11	Insurance and reinsurance
12	Financial instruments
13	Interests on loans
14	Leasing
15	Other financial services
16	Guarantees
17	Sales of shares and interest as investment assets
18	Other portfolio transfers
19	Sale of non-depreciable assets
20	Sale of depreciable or amortizable assets
21	Transfer of intangible assets
22	Royalties
23	Other investments
24	Other assets
25	Other revenue
26	Other (to be specified in Local File)

ii) Expense Transactions

Transaction Code No.	*Description*
27	Purchase of produced inventories
28	Purchase of non-produced inventories
29	Production Supporting Services
30	Administrative services
31	Technical assistance
32	Technical services
33	Other services
34	Fees
35	Commissions
36	Promotional activities
37	Insurance and reinsurance
38	Financial instruments
39	Interests on loans
40	Leasing
41	Other financial services
42	Guarantees
43	Purchase of shares and interest as investment assets
44	Other portfolio transfers
45	Purchase of non-depreciable assets
46	Purchase of depreciable or amortizable assets
47	Purchase of intangible assets
48	Royalties
49	Other investments
50	Other assets
51	Other expenditures
52	Other (to be specified in Local File)

ANNEXURE VII: Criteria of Associated Enterprises

Association Code No.	*Description*
01	Participating directly or indirectly in the management, control or capital (IRA, Sec.77(5)(a))
02	Permanent establishment (IRA, Sec. 77(5)(b))
03	Directly or indirectly holding of shares or otherwise carrying the majority of the voting power (Regulation 8(a))
04	Holding directly or indirectly shares carrying not less than 50 per cent of the voting power (Regulation 8(b))
05	Loans advanced by one enterprise to another enterprise constitute not less than fifty-one per cent of the book value of the total assets of the other enterprise (Regulation 8(c))
06	Loans and equity provided by one enterprise constitute not less than fifty-one per cent of the book value of the total assets of the other enterprise (Regulation 8(d))
07	Guarantees of not less than twenty five per cent of the total borrowings (Regulation 8(e))
08	More than half of the board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of one enterprise, are appointed by the other enterprise (Regulation 8(f))
09	More than half of the board of directors or members of the governing board, or one or more of the executive directors or members of the governing board, of each of the two enterprises are appointed by the same person or persons (Regulation 8(g))
10	ninety per cent or more of the raw materials, semi-finished goods and consumables required for the manufacture or processing of goods or articles carried out by one enterprise, or of purchases required for the sale, are supplied by the other enterprise, or by persons specified by the other enterprise, and the prices and other conditions relating to the supply are influenced by such other enterprise (Regulation 8(h))
11	Goods or articles manufactured or processed by one enterprise are sold/ transferred to another enterprise or to persons specified by the enterprise, and the prices and other conditions relating thereto are influenced by such enterprise or vice versa (Regulation 8(i))
12	Control by an individual or his relative or jointly by such individual and his relative or jointly by relatives of such individual (Regulation 8(j))
13	Holding of not less than ten per cent interest of a firm, association of persons or body of individuals (Regulation 8(k))
14	Where the controlled transaction differs from the transactions that would have been made or imposed by any person not directly participating in the management, control or capital as mentioned in section 76 or 77, but confers a potential advantage to the enterprise (Regulation 8(1)

ANNEXURE VIII: Transfer Pricing Method Codes

Method Code No.	*Description*
CUP	Comparable Uncontrolled Price Method
RP	Resale Price Method
CP	Cost Plus Method
TNM	Transactional Net Margin Method
PS	Profit Split Method

ANNEXURE IX : Profit Level Indicator (PLI) Codes

PLI Code No.	*Description*
GM	Gross Margin
GMK	Gross Markup
ROS	Operating Margin / Return on Sales
ROTC	Operating Markup / Return on Total Cost
ROA	Return on Assets
ROCE	Return on Capital Employed
BERRY	Berry Ratio
Other	Other (to be specified in Local File)

ANNEXURE X : Tested Party Codes

Tested Enterprise Code No.	*Description*
01	Sri Lankan enterprise
02	Foreign enterprise

ANNEXURE XI: Country of Residence Codes

COUNTRY	*CODES*
Afghanistan	AFG
Albania	ALB
Algeria	DZA
American Samoa	ASM
Andorra	AND
Angola	AGO
Anguilla	AIA
Antarctica	ATA
Antigua and Barbuda	ATG
Argentina	ARG
Armenia	ARM
Aruba	ABW
Australia	AUS
Austria	AUT
Azerbaijan	AZE
Bahamas	BHS
Bahrain	BHR
Bangladesh	BGD
Barbados	BRB
Belarus	BLR
Belgium	BEL
Belize	BLZ
Benin	BEN
Bermuda	BMU
Bhutan	BTN
Bolivia	BOL
Bosnia and Herzegovina	BIH
Botswana	BWA
Brazil	BRA
British Indian Ocean Territory	IOT

COUNTRY	*CODES*
Macau	MAC
Macedonia	MKD
Madagascar	MDG
Malawi	MWI
Malaysia	MYS
Maldives	MDV
Mali	MLI
Malta	MLT
Marshall Islands	MHL
Mauritania	MRT
Mauritius	MUS
Mayotte	MYT
Mexico	MEX
Micronesia	FSM
Moldova	MDA
Monaco	MCO
Mongolia	MNG
Montenegro	MNE
Montserrat	MSR
Morocco	MAR
Mozambique	MOZ
Myanmar	MMR
Namibia	NAM
Nauru	NRU
Nepal	NPL
Netherlands	NLD
Netherlands Antilles	ANT
New Caledonia	NCL
New Zealand	NZL
Nicaragua	NIC

COUNTRY	*CODES*
British Virgin Islands	VGB
Brunei	BRN
Bulgaria	BGR
Burkina Faso	BFA
Burundi	BDI
Cambodia	KHM
Cameroon	CMR
Canada	CAN
Cape Verde	CPV
Cayman Islands	CYM
Central African Republic	CAF
Chad	TCD
Chile	CHL
China	CHN
Christmas Island	CXR
Cocos Islands	CCK
Colombia	COL
Comoros	COM
Cook Islands	COK
Costa Rica	CRI
Croatia	HRV
Cuba	CUB
Curacao	CUW
Cyprus	CYP
Czech Republic	CZE
Democratic Republic of the Congo	COD
Denmark	DNK
Djibouti	DJI
Dominica	DMA
Dominican Republic	DOM
East Timor	TLS
Ecuador	ECU

COUNTRY	*CODES*
Egypt	EGY
Niger	NER
Nigeria	NGA
Niue	NIU
North Korea	PRK
Northern Mariana Islands	MNP
Norway	NOR
Oman	OMN
Pakistan	PAK
Palau	PLW
Palestine	PSE
Panama	PAN
Papua New Guinea	PNG
Paraguay	PRY
Peru	PER
Philippines	PHL
Pitcairn	PCN
Poland	POL
Portugal	PRT
Puerto Rico	PRI
Qatar	QAT
Republic of the Congo	COG
Reunion	REU
Romania	ROU
Russia	RUS
Rwanda	RWA
Saint Barthelemy	BLM
Saint Helena	SHN
Saint Kitts and Nevis	KNA
Saint Lucia	LCA
Saint Martin	MAF
Saint Pierre and Miquelon	SPM

COUNTRY	*CODES*
Saint Vincent and the Grenadines	VCT
Samoa	WSM
El Salvador .	SLV
Equatorial Guinea	GNQ
Eritrea	ERI
Estonia	EST
Ethiopia	ETH
Falkland Islands	FLK
Faroe Islands	FRO
Fiji	FJI
Finland	FIN
France	FRA
French Polynesia	PYF
Gabon	GAB
Gambia	GMB
Georgia	GEO
Germany	DEU
Ghana	GHA
Gibraltar	GIB
Greece	GRC
Greenland	GRL
Grenada	GRD
Guam	GUM
Guatemala	GTM
Guernsey	GGY
Guinea	GIN
Guinea-Bissau	GNB
Guyana	GUY
Haiti	HTI
Honduras	HND
Hong Kong	HKG
Hungary	HUN

COUNTRY	*CODES*
Iceland	ISL
India	IND
Indonesia	IDN
Iran	IRN
San Marino	SMR
Sao Tome and Principe	STP
Saudi Arabia	SAU
Senegal	SEN
Serbia	SRB
Seychelles	SYC
Sierra Leone	SLE
Singapore	SGP
Sint Maarten	SXM
Slovakia	SVK
Slovenia	SVN
Solomon Islands	SLB
Somalia	SOM
South Africa	ZAF
South Korea	KOR
South Sudan	SSD
Spain	ESP
Sri Lanka	LKA
Sudan	SDN
Suriname	SUR
Svalbard and Jan Mayen	SJM
Swaziland	SWZ
Sweden	SWE
Switzerland	CHE
Syria	SYR
Taiwan	TWN
Tajikistan	TJK
Tanzania	TZA

COUNTRY	*CODES*
Thailand	THA
Togo	TGO
Tokelau	TKL
Tonga	TON
Trinidad and Tobago	TTO
Tunisia	TUN
Iraq	IRQ
Ireland	IRL
Isle of Man	IMN
Israel	ISR
Italy	ITA
Ivory Coast	CIV
Jamaica	JAM
Japan	JPN
Jersey	JEY
Jordan	JOR
Kazakhstan	KAZ
Kenya	KEN
Kiribati	KIR
Kosovo	XKX
Kuwait	KWT
Kyrgyzstan	KGZ
Laos	LAO
Latvia	LVA
Lebanon	LBN
Lesotho	LSO

COUNTRY	*CODES*
Liberia	LBR
Libya	LBY
Liechtenstein	LIE
Lithuania	LTU
Luxembourg	LUX
Turkey	TUR
Turkmenistan	TKM
Turks and Caicos Islands	TCA
Tuvalu	TUV
U.S. Virgin Islands	VTR
Uganda	UGA
Ukraine	UKR
United Arab Emirates	ARE
United Kingdom	GBR
United States	USA
Uruguay	URY
Uzbekistan	UZB
Vanuatu	VUT
Vatican	VAT
Venezuela	VEN
Vietnam	VNM
Wallis and Futuna	WLF
Western Sahara	WSH
Yemen	YEM
Zambia	ZMB

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