



# Annual transfer pricing declaration 2257-SD: do not miss the deadline!

**31 August, 2020**

The annual transfer pricing return (form 2257-SD) must be submitted electronically within six months following the corporate income **tax return filing deadline**. This year, **“companies experiencing difficulties due to the health crisis” will benefit from extended deadline.**

**The completion of the form is usually underestimated by the taxpayers and even forgotten. Our recent experience in tax audits shows that tax inspectors are more and more using the inconsistencies between the form and the statutory accounts which does not help managing smoothly the relationship with tax inspectors.**

## **Remember that this is for many taxpayers...**

This disclosure requirement applies to French legal entities as well as to French permanent establishments of foreign entities:

- whose **annual turnover excluding VAT or gross assets is equal or higher than €50 million**; or
- which hold or are held, at the end of the financial year, directly or indirectly, at more than half of the capital or voting rights, by a French or foreign entity which satisfies the above-mentioned condition; or
- which belong to a tax consolidation group when one of the member companies meets one of the above-mentioned conditions.

## **a lighter version of the transfer pricing documentation...**

The 2257-SD return **is a light version of the transfer pricing documentation provided for in Article L.13 AA of the French tax procedure code.**

## **facilitating the targeting of tax audits...**

The information contained in the declaration **enhances**

**the effectiveness of tax audits** by allowing tax inspectors to carry out preliminary analyzes of the data reported.

The form 2257-SD therefore allows the tax administration to **schedule its tax audits in a more efficient and targeted manner.**

## **thanks to its modalities of declaration...**

In practice, the declaration **must be submitted electronically.**

In the presence of a tax consolidation group, this electronic declaration must be made by the parent company on behalf of each of the member companies.

## **and which is backed up by penalties.**

**Failure to submit the return** will result in the application of a **fine of €150**. Omissions or inaccuracies result in the application of a **fine of €15 per omission or inaccuracy, without the total fines being less than €60 nor more than €10,000.**

## Postponement of the deadline following the health crisis

The Direction Générale des Finances Publiques (DGFIP – French Tax Authorities) specifies that **companies experiencing difficulties due to the health crisis** and whose **fiscal year ends on December 31, 2019**, shall submit their 2257-SD declaration to the tax authorities **no later than December 31, 2020**.

This postponement is also allowed for **companies which do not close in the calendar year and which benefit from a postponement from the filing of the corporate income tax return**.

### In practice

Whilst penalties are not significant, it is important not to overlook the 2257-SD return, which **must be completed thoroughly and in full compliance with the transfer pricing documentation**.

In view of the extension to proceed with the electronic declaration following the health crisis, it should be noted that the reference to **"companies experiencing difficulties due to the health crisis"** does not seem to require any particular supporting documents at this stage. **However, it is still advisable to respect the legal deadline for companies that have submitted their tax returns within the legal deadlines.**

Finally, it should be noted that the preparation of declaration 2257-SD involves **investing time to collect and analyze the relevant information**. It is therefore **recommended to take action as soon as possible to comply with its reporting obligation**.

Our team is fully available to assist you in the preparation, the review and the online submission of your 2257-SD return.

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