



Annual transfer pricing return 2257-SD: prepare yourselves in time!

July 26th, 2021

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, no extended deadline was granted due to the health crisis. **Companies closing on 31 December 2020** will therefore have to file the return by **4 November 2021 at the latest**.

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. In addition, this return can provide an initial diagnosis of the adequacy of your transfer pricing policy.

Remember that it 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, the 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**.

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**.

The preparation of the 2257-SD involves **rigorous collection of relevant information and technical analysis**. 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.

Contacts



Pascal Luquet

Attorney-at-law – Partner
Transfer Pricing
E: pluquet@avocats-gt.com
T: +33 1 41 16 27 41
M: +33 6 10 12 12 17



Mickaël Duquenne

Economist – Senior Manager
Transfer Pricing
E: mduquenne@avocats-gt.com
T: +33 1 41 16 27 42
M: +33 6 84 22 42 93



Nadia Boudaoud

Tax advisor – Manager
Transfer Pricing
E: nboudaoud@avocats-gt.com
T: +33 1 41 16 27 17
M: +33 7 57 44 26 48



Caroline Lebon

Attorney-at-law –
Transfer Pricing
E: clebon@avocats-gt.com
T: +33 1 41 16 27 44
M: +33 6 73 06 49 59



Grant Thornton
Société d'Avocats

Grant Thornton Société d'Avocats

29, rue du Pont
92200 – Neuilly-sur-Seine, France
www.avocats-gt.com

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