



HM Revenue
& Customs

Transfer pricing documentation

Summary of responses

30 November 2021

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1. Executive Summary

- 1.1 The government launched a consultation on 'Transfer pricing documentation' on 23 March 2021. The consultation explored whether the largest businesses with a presence in the UK should be required to maintain, and produce upon request, master file and local file documentation per the Organisation for Economic Co-operation and Development (OECD) standardised approach. Furthermore, the government explored the idea of introducing an International Dealings Schedule for all customers required to apply UK transfer pricing rules to report data about cross border transfer pricing transactions.
- 1.2 A summary of the main findings is set out below for each of the two areas explored during the 10-week consultation.

Master file and local file

- 1.3 Respondents indicated that most Country-by-Country Reporting (CbCR) multinational enterprise (MNE) groups already prepare a master file, and many follow OECD principles in preparing a UK local file although there is likely to be some variation in detail and format of the latter.
- 1.4 Many respondents suggested that any new master file or local file requirements should be aligned with the OECD guidelines, in view of the additional compliance burden associated with local territory variations. Respondents raised a number of concerns about the proposal for an evidence log to be required as part of the local file.

International Dealings Schedule (IDS)

- 1.5 Respondents were concerned about the costs and administrative burdens which could result from an IDS requirement.
- 1.6 The government recognises that many customers do not have internal reporting systems which can automatically report intercompany transactions, and therefore manual reporting may be necessary. Furthermore, it is understood that many customers would have to invest in their systems and data management processes to automate the IDS.
- 1.7 If implemented, respondents asked that the government consults on the type and form of data which is to be included and take views from across a range business sectors to ensure the final product is workable for all. For example, looking at how

best to report, and aggregate, information in sectors where there may be large volumes of intragroup transactions such as in the financial services sector.

- 1.8 To the extent there is any future development of the IDS it must strike the right balance between costs and benefits and further consultation would be needed to achieve this.

Next steps

- 1.9 The government intends to consult on draft legislation in 2022 to introduce a requirement for the largest customers to maintain, and provide on request, master file and local file documentation.
- 1.10 The government will not implement, or consult further, on the IDS at the present time. In view of the potential benefits to both HMRC and customers, the government will keep the issue under review. Any future consultation will pay particular attention to how the right balance can be achieved, between costs and administrative burden for customers and the benefits in terms of improved compliance.

2. Introduction

Background to the consultation

- 2.1 Transfer pricing is a means of pricing transactions between connected parties, based on the internationally recognised arm's length principle which seeks to determine what the price would have been if the transactions had been carried out under comparable conditions by independent parties.
- 2.2 In the 5 years (from 2015/16 to 2019/20) HMRC brought in over £6 billion in additional tax from transfer pricing compliance activities, demonstrating that transfer pricing continues to be a significant area of risk for HMRC and a major source of uncertainty for customers.
- 2.3 The government published a consultation document for 'Transfer pricing documentation' on 23 March 2021. The consultation sought views on possible options and design ideas to improve and update transfer pricing documentation requirements for customers.
- 2.4 The government explored two areas of transfer pricing documentation:
 - The first area considered the introduction of a requirement for affected UK customers to keep, and produce upon request, specific documentation to articulate and support the transfer pricing positions taken in their tax returns as described in the OECD standardised approach.
 - The second area considered whether to require certain customers to include with their annual tax return details about material cross border transactions with connected parties.
- 2.5 The consultation explored how transfer pricing documentation requirements could be updated to support customers, allow HMRC to better identify and respond to compliance risk, and to align requirements in the UK with international standards.

Summary of responses

- 2.6 The consultation was published on 23 March 2021 and closed on 1 June 2021.
- 2.7 The government held 9 meetings and received 39 written responses from businesses, representative bodies, and agents. We are grateful to all those with whom we discussed the proposals and those that submitted responses, recognising the time and effort that went into them.
- 2.8 We have summarised the views of the respondents in this document, which will be used to inform the further development of the policy.
- 2.9 The following chapters summarise the responses received to each of the questions asked in the consultation and set out the government's response and next steps. Annex A provides a list of respondents.

3. Responses

Master file / local file

Question 1: Do you agree that most MNE groups within the CbCR reporting regime will already routinely be preparing master files to comply with the OECD's standardised approach and to comply with transfer pricing documentation requirements in other countries?

- 3.1 Most respondents agreed that customers which are part of groups within the CbCR reporting regime will currently prepare a master file in accordance with OECD base erosion and profit shifting (BEPS) Action 13.
- 3.2 Others noted that master file requirements in a particular jurisdiction may diverge from the OECD standard.

Government response

- 3.3 The government acknowledges that, whilst most will, some MNE groups may not routinely prepare a master file. Or, that if they do, they may not use a format based on the OECD standard. The government will consider how best to assist those customers preparing such documentation for the first time, in particular through updated guidance on transfer pricing documentation.

Question 2: In the event that a MNE reports that the group does not maintain a master file or that the master file is not within the power or possession of the MNE, what steps could be taken to ensure equality of treatment?

- 3.4 Many suggested that HMRC should consider using its exchange of information avenues with foreign fiscal authorities to obtain a master file where one is not in the power or possession of the UK customer. However, others thought that such an occurrence would be rare if legislation is introduced to make retention of a master file obligatory.

Government response

- 3.5 The government notes that the OECD and other relevant multinational bodies take a relatively firm line in respect of claims that the documentation required for completion of the master file is not within the local entity's power to obtain or possession. The government considers that such information is necessary in order to effectively apply the arm's length principle, and therefore if that information is not held then it follows that the entity may not have been able to establish that it has made a correct tax return.
- 3.6 The government expects that as this is a well understood obligation globally, having been implemented by a number of jurisdictions following BEPS Action Point 13. Many MNE groups will already have processes in place to share the information required for creation of the master file.

Question 3: Do you agree that any new master file requirement should apply only to MNEs within CbCR reporting groups?

- 3.7 Most respondents agreed that master file requirements should apply to the largest groups and that it would be appropriate to use the CbCR reporting thresholds. Some questioned how the rules would apply in years where groups newly moved into or fell below the CbCR threshold.

Government response

- 3.8 The government views alignment with the CbCR threshold as a reasonable, effective and proportionate approach.
- 3.9 The government recognises the master file and local file as representing best practice for transfer pricing documentation and would therefore encourage all customers which are required to apply transfer pricing to take this approach to documentation, where appropriate.

Question 4: The government would welcome observations on the extent to which local file requirements align with transfer pricing documentation which MNEs already routinely maintain.

- 3.10 Respondents generally agreed that although some UK entities will already prepare local files, those who do not will usually have the necessary information to do so. Some respondents noted possible difficulties in extracting the specific transactional data required for the local file from financial reporting systems.
- 3.11 Respondents were split as to whether a local file represents a material increase on the level of documentation currently required – some thought it did, whilst others saw it as broadly equivalent.
- 3.12 Most respondents favoured a local file standard aligned with the OECD approach.
- 3.13 Most favoured alignment with the OECD approach and many called for pragmatism over the prescribed form, for example, suggesting a focus on only material or complex transactions.
- 3.14 A few respondents suggested that local file requirements should be a voluntary alternative to the current approach, with incentives for adoption.
- 3.15 A minority of respondents were of the view that the local file is not necessary.

Government response

- 3.16 The government believes a local file requirement will ensure a consistent approach to documentation and enables customers to get their transfer pricing right.
- 3.17 However, the government understands respondents' preference for alignment with the OECD standard which is used internationally. The government will therefore closely align the requirements and guidance to the OECD standard, with the addition of a 'Summary Audit Trail' requirement, explained further in the response to question 5.
- 3.18 The government appreciates the potential issues faced by some customers in obtaining detailed transactional data. The government will consider how best to

reduce this burden in accordance with the OECD standard, which does allow for focus on material transactions and for a level of jurisdictional aggregation.

Question 5: The government invites comments on the possibility of issuing further practical guidance about local file documentation, including the possible requirement to maintain an evidence log or similar appendix.

3.19 Respondents generally favoured further practical guidance, though some questioned the need for it to the extent that requirements adhere to the OECD standard. Others saw the length of time since Action Point 13 was published as an indicator that updated guidance is necessary, even if the final requirements fully align with that standard. A number called for clarity in legislation to reduce the need for guidance.

3.20 There were a number of concerns raised about the proposed requirement for an evidence log:

- Some respondents were uncertain whether the requirement would be for a substantial dossier of evidence to be included as part of documentation, or whether it would be simply a summary of evidence available.
- Preference for it to be pursued at OECD level, with concerns about double taxation if there is an imbalance in evidence available to different tax authorities
- Questions as to whether it is proportionate, and a recommendation that it should be limited to the most material or complex issues and transactions.
- Potential for duplication elsewhere in the local file
- There was some acknowledgement that customers should retain a log of evidence obtained to support transfer pricing documentation, but it was suggested that this should be best practice as opposed to a mandatory requirement.
- Concern as to how it might be used for behaviour penalty considerations during an enquiry
- What can be considered evidence is subjective, and there is sometimes a disconnect between HMRC's view of the type of evidence necessary to analyse pricing within an enquiry setting, and taxpayer's view of relevant evidence for the purpose of creating transfer pricing documentation (enquiry standard vs. documentation standard).
- The Profit Diversion Compliance Facility (PDCF) should be distinguished from 'business-as-usual' transfer pricing documentation in that it focuses on specific high-risk transactions. Evidence logs in a PDCF context are investigative in nature rather than being routine compliance documentation in support of a filed tax return.
- Reproducing evidence obtained is excessive. Simple summary of steps taken would be more favourable.

3.21 Some respondents, however, accepted that maintenance of an evidence log is a reasonable expectation, provided the requirement is not disproportionate, and that it could be effective in encouraging companies to adequately resource compliance regarding their transfer pricing obligations.

Government Response

- 3.22 The government welcomes respondents' views as to the merits of further guidance, whilst recognising that anything published should be consistent with and build on the OECD guidelines at Annex II to Chapter V of the Transfer Pricing Guidelines. The government will ensure that legislation is clear but acknowledges that legislation alone is unlikely to be able to cover every scenario and therefore guidance will play an important role.
- 3.23 The government understands the numerous concerns raised about the proposal for an evidence log based on the existing requirement within the PDCF. In particular, the government accepts that the purpose of the PDCF is different in nature to 'business-as-usual' transfer pricing documentation requirements.
- 3.24 Having considered respondents' concerns in detail, the government has decided not to include a requirement for a detailed evidence log in UK local files. However, the government does intend to include a more limited requirement in the form of a Summary Audit Trail (SAT). This will be an additional legislative requirement, which will be accompanied by supporting guidance.
- 3.25 In practice, the SAT will be a short, concise document summarising the work already undertaken by the customer in arriving at the conclusions in their transfer pricing documentation.
- 3.26 The purpose of the SAT is two-fold. Firstly, the additional transparency encourages customers to undertake sufficient work to support transfer pricing policies. Secondly, it enables HMRC to undertake high level quality assurance on the transfer pricing documentation and therefore allows better focus on higher risk areas during enquiries. The SAT will be designed to achieve these aims without imposing a disproportionate burden on customers.

Question 6: Do you think that requiring MNEs within the scope of the CbCR reporting regime to maintain a local file is proportionate?

- 3.27 As with the master file, most respondents agreed that it would be appropriate to use the CbCR reporting thresholds for the local file requirement.

Government response

- 3.28 The government recognises that many customers are already familiar with the principle of the local file as an international standard. However, it also appreciates that preparing UK entity local files is a new obligation for most customers, particularly one including a SAT, and will consider how best to ensure that customers are supported during implementation.

Question 7: Do you agree that 30 days is an appropriate timescale for production of the master file and local file?

- 3.29 Some respondents were uncertain whether the timescale related to preparation of the documentation, or provision of existing documentation. Assuming the latter, many respondents agreed that 30 days is an appropriate timescale, though others suggested 60 days is more aligned with the approach taken by other jurisdictions.
- 3.30 Some asked for clarity that HMRC would consider failures in accordance with existing 'reasonable excuse' provisions, allowing for additional time where the threshold of reasonable excuse is met.

3.31 One respondent suggested that customers should have the power to phase in the local file alongside their usual transfer pricing refreshing process.

Government response

3.32 The government confirms that the 30-day timescale is for provision of master files and local files, which would be required to be prepared routinely in support of customers' filed transfer pricing positions.

3.33 The government considers 30 calendar days, from the date of issue of the request, a reasonable timescale for provision of existing documentation. The purpose of the master file and local files is to support the transfer pricing policies underlying the filed return, and therefore should be prepared in advance of annual filing.

Question 8: What metrics would be appropriate to determine de minimis thresholds?

3.34 Respondents urged HMRC to set thresholds at levels which will filter out low-risk transactions, and to consider HMRC's ability to meaningfully analyse the data received having regard to resource available. There were calls for international consistency and simplicity, with the example that the work required to determine whether the threshold is met should not be comparable to that needed to compile the documentation itself.

3.35 There was a strong consensus that only material transactions should be covered by transfer pricing documentation. Some suggested that transactions of a similar type should be aggregated, and others preferred a threshold for individual transactions.

3.36 Several respondents suggested that tax at stake under a certain amount could be a potentially viable minimum threshold, and in keeping with HMRC's risk-based approach to compliance.

3.37 Many respondents questioned whether a fixed monetary limit would be appropriate for all sizes of affected customers, and each industry. Instead, it was suggested that a ratio approach, or some level of discretion for customers to consider their own materiality of transactions might be more effective.

3.38 Most respondents were of the view that UK:UK transactions should not be included, based on the assumption that, in such scenarios, it is unlikely that the UK tax base is exposed to net risk.

3.39 Examples of suggested potential metrics which might be relevant include:

- Employees
- Turnover
- Sales revenue
- Value / aggregated value of transactions
- Tax at stake
- Senior Accounting Officer (SAO) thresholds
- Customer discretion

Government response

- 3.40 The government acknowledges that some form of reporting threshold is necessary and welcomes suggestions by respondents as to how it might be applied. The OECD standard specifies that focus should be on material transactions, and the Government intends to align as closely as possible with that standard.
- 3.41 The government appreciates the benefit to customers of clear and unambiguous thresholds but is also aware of the need for flexibility to ensure that they work for all customers and industries. Clear guidance will be published to help businesses determine what might be considered material. The guidance will aim to provide practical examples as well as key principles to help guide customers in borderline cases.
- 3.42 Unless there is a material UK tax risk, for example where entities benefit from Oil and Gas ringfencing, the government will not require inclusion of UK:UK transactions for the purpose of the master and local files.

Question 9: If a MNE considers all its transactions to be not material, should that mean the MNE is (i) required to submit an annual declaration to that effect or (ii) obliged to provide a short form local file upon request?

- 3.43 Of the two options, there was a clear preference towards an annual declaration over a short form local file, although some respondents were concerned about imposing an annual reporting obligation which only applied to those companies outside the local file requirement.
- 3.44 Some respondents were uncertain whether evidence would need to be retained to determine whether a full local file was needed.

Government response

- 3.45 The government acknowledges that a short form local file may not represent a material benefit to customers and will require many of the same resource commitments necessary to prepare a full local file. Similarly, the government understands the concerns about imposing a requirement for an annual declaration.
- 3.46 Accordingly, where a customer self-assesses that all of its international related party transactions are immaterial, the government does not intend to require it to complete a local file or make an annual declaration. We expect such customers to keep a record of any analysis undertaken to support that self-assessed position, and to provide that analysis upon request within the same 30-day timescale as for documentation.

Question 10: With regard to the proposals in this chapter the government would welcome any other observations, comments, or suggestions.

- 3.47 Most respondents were concerned about cross jurisdictional differences in documentation requirements and asked that HMRC adhere to OECD standards as far as possible.

Government response

- 3.48 The government appreciates the helpful responses provided to the consultation and shares the preference amongst most respondents for a UK master file and local file requirement to adhere closely to the OECD standard.

International Dealings Schedule (IDS)

Question 11: The government welcomes comments about the extent to which your accounting/reporting system(s) can, or cannot, provide relevant transfer pricing data and information.

- 3.49 Most respondents suggested that whilst relevant data may exist in accounting and reporting systems, significant time and investment would be required to automate IDS specific reporting processes and make necessary system upgrades. Burdens which customers face may include managing reporting across several different accounting systems across the MNE group and the need for human intervention to report consistent and meaningful data across different sources and accounting systems.
- 3.50 A minority of respondents highlighted their preference for tax authorities to use a coherent multilateral approach across different jurisdictions for gathering transfer pricing data.

Government response

- 3.51 The government recognises that differences in approach to IDS style requirements across jurisdictions have resulted in businesses having to invest significant resources, with limited ability to use a single reporting process. The government recognises that the introduction of a similar requirement in the UK may add to this burden and could require upgrades to existing reporting systems and additional manual intervention.
- 3.52 The government appreciates the difficulty that some businesses may have in extracting the level of data required for completion of the IDS. The OECD local file guidance requires the provision of transactional data on material transactions, and the government would intend to similarly limit the IDS based on materiality.
- 3.53 It is also acknowledged that whilst investment in reporting systems may enable many customers to automate a substantial portion of the reporting process, human input and review may still be required.
- 3.54 A central principle of the IDS policy area is to generate high quality data and facilitate data-led tax compliance and risk assessment. In this way, the IDS is aligned with wider trends toward data-led decision making and scalable automation.

Question 12: The government welcomes comments on ideas for appropriate types of data and information which could be requested through an IDS filing requirement.

- 3.55 Respondents suggested that the IDS should remain objective and focus on material transactions, avoiding those which present immaterial tax risk. Many commented that the IDS should only request information not otherwise obtainable by HMRC.
- 3.56 Respondents suggested various types of data which should be reported. Common suggestions were:

- Quantitative transactional information, such as amount/value and nature of payment
- Qualitative information, such as transfer pricing methodologies applied, and existence of rulings (for example, an Advanced Pricing Agreement)
- Other relevant information, including identity and residence of counterparties, details of the management and operational structure and entity classification.

Government response

3.57 The government appreciates the helpful contributions of respondents which will greatly support ongoing review of the IDS. Should an IDS requirement be introduced in the future, it will be essential to strike the right balance in obtaining information to support risk assessment and more focused compliance interventions, without creating disproportionate compliance burdens for customers.

Question 13: Please provide details of any impacts or administrative burdens which you could anticipate resulting from the introduction of an IDS requirement.

- 3.58 Almost all respondents made the point that the introduction of the IDS would create an additional administrative burden for customers with some concerned this would redirect valuable compliance resource away from complex transfer pricing issues.
- 3.59 Some respondents noted that automation might facilitate the reporting process; but the degree to which customers may be able to automate such processes will vary.
- 3.60 Respondents urged the government to avoid regular amendments to the IDS to reduce ongoing costs to customers in updating their reporting systems and process.
- 3.61 Some respondents were concerned with how this adds to existing compliance obligations that customers must already manage whether they be industry specific regulations, multilateral arrangements (CbCR), financial reporting or ongoing engagements with HMRC.
- 3.62 A small number of respondents suggested that customers within CbCR groups might adapt better to an IDS obligation than those who are not used to that style of annual reporting requirement.

Government response

3.63 The government understands the concerns raised by respondents about the administrative burdens which might flow from the implementation of an IDS requirement. The government will look carefully at how these concerns can be addressed in any future proposals for an IDS requirement.

Question 14: Businesses and advisers may have awareness or direct experience of reporting requirements for other tax authorities. The government welcomes comments or observations based on your experiences in other jurisdictions. If so, what processes work well to extract and report the relevant data?

- 3.64 Most respondents explained that they experience significant additional administrative burdens in other jurisdictions where IDS style information reporting requirements exist.
- 3.65 Some respondents noted that there can be uncertainty in how to report items, for example foreign exchange losses and gains, exceptional items, or reconciliation adjustments to statutory accounts. Therefore, clear, and comprehensive guidance was requested.
- 3.66 Many respondents explained how different local reporting requirements created additional work for local finance teams and advisers which increased compliance costs. There was a clear preference for simpler reporting requirements.
- 3.67 Respondents noted that IDS style reporting requirements sometimes asked for information which is already contained within a local file and this represented duplication.
- 3.68 Respondents also commented on the need to gather information in a way that is proportionate and balances the level of tax risk with the reporting burdens on customers. It is not always clear that the information is used effectively in the jurisdictions concerned, and this can be a source of frustration. Respondents cautioned against tax authorities asking for information without first considering how such information will be used in compliance activity and risk assessment procedures.
- 3.69 Some respondents also suggested that HMRC engage with software service providers to ensure the design of an IDS enables reporting software to be used.

Government response

- 3.70 The government recognises the concerns raised by respondents over the need for certainty, avoiding duplication and ensuring that the information reported can be used effectively by HMRC. It will take these concerns into account in any future proposals for an IDS requirement.

Question 15: The government welcomes comments and suggestions on appropriate metrics to determine materiality limits and transactions which could be aggregated.

- 3.71 Some respondents commented that thresholds should be informed by the amounts of tax at stake, the nature of the transactions and the ability for HMRC to effectively use the information. Respondents explained that thresholds should be clearly defined, accurately measurable and set at appropriate levels.
- 3.72 Many respondents suggested that thresholds ought to align with OECD guidance where possible. Some suggested relative measures such as a percentage of UK revenue, expenses, or profit; and others, considered that absolute figures, for example the size of a transaction, would add further clarity. One respondent noted that £5m is the figure for reporting uncertain tax positions.
- 3.73 Many respondents suggested that similar transactions might be aggregated together and reported as a single figure. Respondents suggested this would enable more efficient reporting and avoid the need for customers with large

volumes of similar transactions to provide very large volumes of information for no obvious benefit.

Government response

- 3.74 The government understands the important role that reporting thresholds can play in managing administrative burdens and streamlining reporting processes.
- 3.75 The government sees merit in both relative and absolute thresholds; fundamentally, any threshold would need to be clear, easily applied and focused on material potential tax risk.
- 3.76 The aggregation of similar transactions would be an essential feature, necessary to ensure that the IDS would be workable for those customers with large volumes of individual intragroup transactions of the same type. Should the government proceed to consult further on the IDS, it will consider how to approach aggregation in consultation with industries most heavily impacted.

Question 16: Please comment on a possible option for one entity to file a version of the IDS on behalf of other UK group entities.

- 3.77 Most respondents welcomed administrative arrangements that would allow customers to manage the reporting process more easily and, therefore, a single filing option was supported, provided such an option would be voluntary. It was noted that similar concepts could be seen in relation to SAO certificates and Corporate Interest Restriction returns.
- 3.78 Some respondents questioned the practicalities of a single filing requirement; for example, questioning how it would align with the CT600 filing, how beneficial it would be if the process was widely automated, how thresholds would apply, how it would work with multiple year-end dates, how authority would be delegated and how penalties for error would operate.

Government response

- 3.79 The government sees merit in allowing entities to voluntarily file on behalf of each other for the purpose of administrative convenience. As mentioned above, some aggregation of transactions would form an important aspect of any IDS and this will be considered alongside group reporting. These issues will be considered in any future proposal on an IDS requirement.

Question 17: The government welcomes views on the format and structure of the IDS.

- 3.80 Respondents asked that government engage with customers across different industries on the design of the IDS to consider industry specific issues and refine the design options. In terms of overall structure, comments favoured a categorised form with clear section headings and a focus on being easy to understand and complete.
- 3.81 Many respondents supported the approach of the IDS being a supplementary page of the CT600 tax return for efficiency in the filing process and clarity regarding filing deadlines. It was also commented that future reporting requirements should be aligned with wider strategies, including Making Tax Digital.

- 3.82 Some respondents preferred a spreadsheet format (e.g., Excel) or an online form.
- 3.83 Some respondents suggested that mandatory tagging for iXBRL purposes of related party disclosures in financial statements could remove the need for reporting via an IDS. Some respondents commented that customers engaged in CbCR reporting are familiar with the use of an XML format.

Government response

- 3.84 The government will continue to review the IDS but will not implement, or consult further, on the IDS at this time. The government will consider, in putting forward any future proposals, the possible formats that could make the process of completing an IDS clear and efficient.

Question 18: With regard to the proposals in this chapter the government would welcome any other observations, comments or suggestions.

- 3.85 Many respondents recognised the potential benefits the IDS could bring by providing HMRC with better quality data to reduce the number of enquiries which could have been avoided were better data available earlier. But not all were convinced that these benefits would be realised in practice, based on their experiences with other jurisdictions.
- 3.86 The key concern raised by respondents was that an IDS requirement could create burdens that were disproportionate to the compliance risks that were being addressed.
- 3.87 Responses generally indicated that more needed to be done to demonstrate the benefits for customers, and not only HMRC, of introducing the IDS. Respondents wanted HMRC to clearly explain how the IDS data will be used by HMRC and related matters including the impact on discovery assessments or the sharing of information with other tax authorities.
- 3.88 Some suggested it might be best to await the Pillar One and Two outcomes before proceeding with the IDS.
- 3.89 If an IDS is to be introduced in the UK, respondents requested transitional arrangements for a 'soft landing'. Ideas varied but included:
- Advance notice prior to the introduction of an IDS
 - Introducing the requirement for the largest customers first and then extending the requirement afterwards
 - Adopting a light touch approach in the first few years when considering penalties for filing errors, for example.
- 3.90 Some respondents commented that they would welcome an internationally agreed standard, with tax authorities using a single version of IDS. This would allow for a consistent reporting format and cross-checking of data between tax authorities

Government response

- 3.91 The government is grateful for the comprehensive and useful responses received with regards to this potential measure.

3.92 The government will not implement an IDS requirement at this time. The government still believes that an IDS requirement could have significant benefits to both HMRC and customers and will keep the issue under consideration for possible implementation in the future. However, it is clear from responses that the compliance burden is a major area of concern.

4. Next steps

Master file and local file

- 4.1 The government intends to consult on draft legislation in 2022 to introduce a requirement for the largest customers to maintain, and provide on request, master file and local file documentation. The updated requirements will also include a Summary Audit Trail.
- 4.2 The government intends to provide further practical guidance alongside any new legislation to support customers in delivering appropriate transfer pricing documentation.
- 4.3 As is usual, there will be the opportunity for interested parties to provide comment on draft legislation and related guidance.

International Dealings Schedule

- 4.4 The government will not implement, or consult further, on the IDS at the present time. In view of the potential benefits to both HMRC and customers, the government will keep the issue under review. Any future consultation will pay particular attention to how the right balance can be achieved, between costs and administrative burden for customers and the benefits in terms of improved compliance.

Annexe A: List of respondents

100 Group	FTI Consulting
Access2Funding	Gazprom Marketing & Trading
AEGON	Grant Thornton
AIMA	Hitachi Group
Anglo American Plc	Imperial Tobacco Limited
Association of British Insurers	Johnston Carmichael LLP
Baker McKenzie	KPMG
BDO	Lloyd's
Blick Rothenberg	Macfarlanes
Confederation of British Industry	Deloitte
Chawton IP Solutions	Duff & Phelps
Chartered Institute of Taxation	Entain
City of London Law Society	Frazier & Deeter
Mazars	Simmons & Simmons LLP
MHA MacIntyre Hudson	The Investment Association
Orsted	UK Finance
PwC	Winmark Global
RSM	EY
Saffery Champness LLP	FCE Bank plc
Schroders	