

Country by Country Report

Transfer Pricing

March, 2024

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Under **Agreement SAR-653-2023** published on March 19, 2024, the Tax Administration establishes the obligation to prepare and file the Country-by-Country Report, related to Transfer Pricing.

Important Definitions (First Agreement):

- **Multinational Group:** Corresponds to a group of related companies (two or more), whose tax residence is in different jurisdictions, or a company and its permanent establishment(s) is in another jurisdiction(s). Furthermore, the Excluded Multinational Groups should not be considered a Multinational Group.
- **Excluded Multinational Group:** A group whose total consolidated income has been less than 750 million euros or 19 billion lempiras during the fiscal year immediately preceding the fiscal year being reported, as reflected in its consolidated financial statements.
- **Ultimate Parent Entity:** entity of the Multinational Group that directly or indirectly is the owner of other related entities that requires it to prepare consolidated financial statements in accordance with the accounting standards of its respective jurisdiction of tax residence, and no other entity that is a member of the group has a participation as previously described.
- **Subrogated Parent Entity:** Member Entity of the Multinational Group that has been appointed by said Multinational Group as sole representative of the Ultimate Parent Entity in order to file the Country by Country Report in the jurisdiction of tax residence of said company.

Obligation to file the Report (Second Agreement):

This obligation applies only to entities belonging to a Multinational Group, meaning that, it does not include companies that are within a Group that have annual consolidated revenues of less than 750 million Euros or 19 billion lempiras.

For companies that do meet this criterion, the Agreement establishes that they will be obligated if :

1. The Company is an Ultimate Parent Entity of a Multinational Group resident in Honduras.

(The following criteria that obliges a tax resident to file the Country by Country Report is currently suspended until the Executive Director of the Tax Administration reestablishes them, through a general communication)

2. The company es an Entity Member of a Multinational Group and:

- a. Is a tax resident in Honduras.
- b. The Ultimate Parent Entity of the Multinational Group is not required to file a Country-by-Country Report in the jurisdiction of its tax residence; or
- c. The jurisdiction of tax residence of the Ultimate Parent Entity has a current International Agreement to which Honduras is a party, but does not have an Eligible Agreement between Competent Authorities in force to which Honduras is a party on the date of filing of the Country by Country Report.
- d. The jurisdiction of tax residence of the Ultimate Parent Entity has committed a Systematic Omission that has been notified by the Tax Authority to the company fiscal resident in Honduras.

Important Issues:

- The criteria established previously will not generate the obligation if the Country by Country Report is filed out in the tax jurisdiction of residence of a Subrogated Parent Entity that meets the characteristics detailed in this Agreement.
- A Multinational Group will not be required to submit the Country-by-Country Report in Honduras when the jurisdiction where the Ultimate Parent Entity is located has set a threshold for the submission of the Country-by-Country Report equivalent to or less than 750 million euros in national currency, according to the exchange rate in force as of January 2015.
- It is important to reiterate that if the tax resident company in Honduras has an Ultimate Parent Entity (or Subrogated Parent Entity) abroad that does present the Country by Country Report, but Honduras does not have an Eligible Agreement between Competent Authorities with the country in of tax residence of the latter, the Honduran entity must file this report to the Tax Authority.



Notification (Third Agreement):

A company resident in Honduras and member of a Multinational Group must file, no later than December 31 of the reportable fiscal year, a notification indicating that:

- It is the Ultimate Parent Entity or Subrogated Parent Entity.
- If it is none of the above, the company must notify the identity and tax residence of the entity that submits the Country-by-Country Report in its respective jurisdiction.

The notification will be made under the conditions that the Tax Administration will define under a general statement.

Submission Form and Deadline (Fifth Agreement)

The Country-by-Country Report will be presented in an XML format that complies with the standard structure established by the OECD.

In addition, it will be presented within a maximum period of 12 months from the last day of the reportable fiscal year of the Multinational Group.

Sanctions (Seventh Agreement)

Failure to notify or notify late of what is established in this Agreement will be sanctioned according to Article 160 of the Tax Code.

Failure to provide the Country-by-Country Report, providing it with false, incomplete or inaccurate data, or providing it late, will result in a fine of USD\$10,000.

Entry into Force (Ninth Agreement):

It will apply to the reportable fiscal year of Multinational Group that begins on or after January 1, 2025.

The Fourth Agreement establishes the type of information that must be presented in this report, as well as includes an Annex that details the presentation format and the information to be presented.

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