

Advanced Pricing Agreement (APA) Guide

INLAND REVENUE DEPARTMENT
SRI LANKA

Abbreviations

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| ACR | Annual Compliance Report |
| AE | Associated Enterprise |
| APA | Advanced Pricing Agreement |
| BAPA | Bilateral APA |
| CGIR | Commissioner General of Inland Revenue |
| DTA | Double Taxation Avoidance Agreement |
| IRA | Inland Revenue Act, No. 24 of 2017 |
| IRD | Inland Revenue Department |
| MAPA | Multilateral APA |
| MNE | multinational Enterprise |
| UAPA | Unilateral APA |

1. Introduction

- 1.1. An Advanced Pricing Agreement (“APA”) is a formal agreement that determines, in advance, the arm’s length price or an appropriate set of criteria (e.g., method, comparable and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the arm’s length price for international transactions over a fixed period of time.
- 1.2. This guide provides an overview of the APA process in Sri Lanka, including detailed steps, documentation requirements, critical assumptions for the future events and practical insights to facilitate the successful negotiation and implementation of an APA. APA process is voluntary and it will be a supplement for resolving transfer-pricing disputes.
- 1.3. The agreed APA shall remain binding on all parties involved and apply to the covered transactions for the entire duration of the agreement.

2. Key legal and regulatory framework

- 2.1. The key legal and regulatory framework includes the following:
 - (a) Inland Revenue Act, No. 24 of 2017 (“IRA”)
 - (b) Regulations on Transfer Pricing No. 02 of 2020 issued under Gazette Extraordinary No. 2217/7 dated 2 March 2021 (“Transfer Pricing Regulations”)
 - (c) Double Taxation Agreement (“DTA”) between Sri Lanka and other country to prevent double taxation and facilitate APA negotiations.

3. Benefits of an APA

- 3.1. APAs offer numerous advantages, including:
 - (a) **Certainty:** Provides a clear understanding of the transfer pricing arrangements, reducing future disputes.
 - (b) **Risk mitigation:** Minimizes the risk of audits and adjustments.
 - (c) **Cost efficiency:** Potentially reduces litigation and audit costs.
 - (d) **Enhanced relationship with tax authorities:** Builds trust and promotes cooperation between taxpayers and tax authorities.
 - (e) **Financial forecasting:** Facilitating the financial reporting of potential tax liabilities.

4. Types of APAs

- 4.1. An APA is entered into by:
 - (a) in the case of a unilateral APA, the Inland Revenue Department (“IRD”) and the taxpayer
 - (b) in the case of a bilateral APA (“BAPA”), the IRD and a foreign tax authority
 - (c) in the case of a multilateral APA (“MAPA”), the IRD and each of the relevant foreign tax authorities.

- 4.2. Unilateral APAs are formalized through an agreement signed between the taxpayer and the Commissioner General of Inland Revenue (“CGIR”). The agreement may be signed by the taxpayer or an authorized representative acting on behalf of the taxpayer.
- 4.3. A BAPA or MAPA is conducted within the legal framework of DTA that Sri Lanka has entered into with the relevant jurisdiction. In other words, a valid DTA must be in place for a BAPA or MAPA application to be considered. Such APAs are facilitated under the Mutual Agreement Procedure (“MAP”) article of the applicable DTA, provided that the DTA includes the necessary enabling provision.

Taxpayers may also be parties to the BAPA or MAPA. The requirement for taxpayers to sign BAPA or MAPA shall be subject to the mutual agreement of the participating tax authorities and the domestic laws and procedures of the respective jurisdictions. Where taxpayer signatures are not permissible under one or more jurisdictions, the agreement shall remain valid and enforceable based on the signatures of the competent authorities.

- 4.4. In this guidance, the term “APA” may also include BAPA and MAPA.

5. Eligibility criteria

- 5.1. To qualify for an APA, taxpayers must:
 - (a) Engage in cross-border transactions.
 - (b) Seek to ensure compliance with transfer pricing regulations.
 - (c) Be prepared to provide detailed information and engage in comprehensive negotiations.

6. The APA team

- 6.1. The CGIR will appoint an APA team as required to manage the APA process and facilitate the CGIR's participation in APA negotiations. This team will comprise officers from various technical areas within the IRD as determined by the CGIR.

7. The APA process

- 7.1. The APA process encompasses all stages, from the taxpayer expressing interest in obtaining an APA to the successful completion of the APA term. The IRD's APA process includes the following five key stages:
 - (a) Pre-filing consultation;
 - (b) Formal APA application;
 - (c) Evaluation and analysis of the application;
 - (d) Negotiation and agreement of the APA; and
 - (e) Submission of the Annual Compliance Report (“ACR”).
- 7.2. The APA process is led by the APA team, which operates independently from the audit teams to preserve independence. For the purposes of this guidance, the term "IRD" is also used to refer to the APA team.

8. Pre-filing consultation

- 8.1 The pre-filing consultation aims to assist both the IRD and the taxpayer in assessing the suitability of an APA for the taxpayer's specific circumstances. This consultation provides an opportunity to discuss the taxpayer's circumstances and the specific issues they wish to address in the APA, such as the parties involved, the transactions and period covered, the proposed transfer pricing methodology (if already decided), and any ongoing related transfer pricing matters under inquiry by another tax authority.
- 8.2 The pre-filing consultation request should be submitted in writing to the CGIR at least six months prior to the commencement of the first accounting period. For example, if a taxpayer intends to apply for an APA for the accounting period from 1 April 2026 to 31 March 2030, the pre-filing consultation documents must be submitted to the CGIR by 31 August 2025. The following is an indicative list of items that are typically expected to be submitted along with the pre-filing consultation request:
- (a) A high-level overview of the multinational enterprise's (MNE) business and corporate structure.
 - (b) The parties to the APA and the jurisdictions involved.
 - (c) The nature of the transactions to be covered under the APA, the years to be included (including whether a roll-back is being requested), and the amounts involved.
 - (d) The proposed transfer pricing methodology (if determined).
 - (e) An overview of any related transfer pricing audits concerning the transactions under discussion.
 - (f) Any additional information the taxpayer deems important and relevant to the APA application.
- 8.3 At the pre-filing stage, a taxpayer or their authorized representative can meet with the APA team on an informal basis to address any queries related to a potential APA application. This consultation allows the APA team to explain the APA process to the taxpayer, identify potential issues with the proposed APA early on, and address any questions the taxpayer may have. Following the pre-filing consultation, the APA team will generally be able to provide an indication of whether it is likely to accept the APA application from the taxpayer.
- 8.4 If additional information is required after the pre-filing consultation to assess the appropriateness of a formal application, the APA team will request this information from the taxpayer.
- 8.5 If the APA team determines that the case is not suitable for an APA, this will be discussed with the taxpayer. Should the APA team maintain that the case is unsuitable, a letter will be issued outlining the reasons. The taxpayer may then request a review within 30 days from the date of receipt of that letter if they still wish to proceed with an APA application. Otherwise the decision is final.

9. **Formal APA application**

- 9.1 The APA application must be submitted in both physical and electronic formats. Taxpayers should provide two hard copies to the CGIR and email an electronic copy to cgir@ird.gov.lk.
- 9.2 Appendix 1 provides an indicative list of information that should be included in the APA application.
- 9.3 Taxpayers should submit the formal APA application before the start of the first accounting period intended to be covered by the APA. For example, if a company's accounting period ends on 31 March and the taxpayer intends to apply for an APA covering the accounting periods ending 31 March 2026 to 31 March 2029, the application should be submitted on or before 31 March 2026.

However, under specific circumstances, the CGIR may accept applications submitted after this deadline.

- 9.4 For BAPA or MAPA, the IRD adopts a flexible approach to accommodate differing information requirements of the relevant tax authorities. Taxpayers should discuss these details with the APA team before submitting their application.
- 9.5 All information provided in the APA application must be accurate, complete, and in English. If detailed calculations are included, they should be submitted electronically and discussed with the APA team during the pre-filing consultation. For BAPA or MAPA, the same information provided to the CGIR must also be shared with the other tax authority simultaneously.
- 9.6 For BAPA or MAPA, the CGIR will engage with the relevant foreign tax authority to evaluate the suitability of the transaction for an APA. Upon determining the transaction's appropriateness, the CGIR will issue an acceptance letter to the taxpayer, confirming the IRD's readiness to proceed with negotiations in collaboration with the competent authority of the foreign tax authority.
- 9.7 If the CGIR decides not to admit a case into the APA process, a formal letter will be issued to the taxpayer outlining the reasons for the decision. Taxpayers who wish to challenge this decision may request a review to seek reconsideration for admission into the APA process within 15 days of the receipt of the letter.
- 9.8 The APA application may be rejected if it fails to meet the following criteria:
- (a) Failure to comply with the requirements outlined in the Transfer Pricing Regulations.
 - (b) The covered transaction is hypothetical, or there is a lack of significant business transactions with other countries.
 - (c) An arm's length transaction cannot be reliably established, or there is no clear transfer pricing risk.

- (d) The taxpayer has not submitted sufficient information necessary for APA consideration.
- (e) The APA application has been rejected by the relevant foreign tax authority involved.
- (f) The taxpayer is a newly started business, and sufficient information is unavailable to assess the application.
- (g) There is evidence of suspicious transactions or indications of tax avoidance.
- (h) Non-compliance with the terms and conditions of previous APA.
- (i) Arrangements involving improper use or abuse of DTAs to obtain unintended benefits.

9.9 The IRD will retain all information submitted during the APA process. Therefore, taxpayers are advised to ensure that original documents, such as legal agreements, are not submitted unless specifically requested for review.

9.10 Taxpayers may request to amend their formal APA application at any time before a decision is made regarding the application. Amendments to the application may be accepted, provided they do not fundamentally change the nature of the original application.

9.11 Taxpayers have the option to withdraw their APA request at any point before the agreement is signed. However, withdrawal, particularly at advanced stages of the APA process, is strongly discouraged due to the significant resources already invested by all parties.

To withdraw from the process, the taxpayer must provide written notification to the CGIR.

10. Evaluation and analysis of the application

10.1 The APA team will conduct a detailed review of the application and, if required, may seek clarifications from the taxpayer regarding the submitted information or request additional documentation. Taxpayers are expected to respond to such requests promptly, typically within 30 days. However, the IRD may grant extensions in specific cases where additional time is necessary to compile the requested information, such as conducting supplementary benchmarking analysis.

10.2 To gain a thorough understanding of the case, the APA team may request a site visit or conduct interviews with key personnel from the taxpayer's organization. If the taxpayer opts for joint meetings involving representatives from both the IRD and the other tax authorities to facilitate the sharing of relevant information, the IRD is generally open to participating in such discussions.

During the evaluation stage, the IRD will develop its perspective on the proposed transfer pricing methodology, comparables, APA term (including any rollback provisions), critical assumptions, and the appropriate arm's length pricing for the transaction under review.

- 10.3 Once the IRD finalizes its position on the aspects of the APA and the negotiation parameters, it will communicate a position paper to the taxpayer in the case of unilateral APAs, or to the relevant competent authority in the case of BAPA or MAPA.

11. Negotiation and agreement of the APA

- 11.1 In the case of a unilateral APA, once the position paper is communicated to the taxpayer, negotiations will be initiated to reach a mutually agreeable solution. Upon finalizing the terms and conditions of the APA, the IRD will formally conclude the agreement with the taxpayer.

The finalized APA must be signed by an authorized signatory of the taxpayer who holds the authority to bind the taxpayer to the terms of the agreement. This ensures the taxpayer's commitment to adhering to the terms of the APA.

If an agreement cannot be reached, the taxpayer is not obligated to accept the proposed terms and may choose to withdraw from the APA process. In such cases, the taxpayer must confirm their withdrawal in writing to the CGIR to formally close the case.

- 11.2 Upon completing the evaluation of the APA application, in cases involving BAPA or MAPA, the IRD will commence negotiations with the competent authority of the foreign tax authority. The objective of this stage is to resolve any differences between the competent authorities and establish a mutually agreed set of terms and conditions for the taxpayer. The taxpayer will not directly participate in these negotiations. However, the IRD will keep the taxpayer informed about upcoming negotiations and their outcomes.

If the IRD cannot reach an agreement with the competent authority of the foreign tax authority regarding a BAPA or MAPA, it will notify the taxpayer within 30 days of the competent authority meeting. The notification will detail the reasons for the impasse. The IRD is not obligated to engage in further discussions if either the IRD or the other competent authority concludes that reaching an agreement is not feasible.

When the IRD and the competent authority of the foreign tax authority agree on the terms and conditions of an APA, the IRD will notify the taxpayer in writing within 30 days of the competent authority meeting. The taxpayer will be required to confirm acceptance of the agreed terms in writing within 30 days of receiving the notification.

In some cases, the terms of the APA agreed upon by the IRD and the foreign tax authority may differ from the taxpayer's original proposal. If the taxpayer does not agree with the terms, the IRD is willing to consult with both the taxpayer and the foreign tax authority to explore potential modifications. This process aims to achieve final terms acceptable to all parties involved.

If an agreement cannot be reached, the taxpayer is not obligated to accept the proposed terms and may withdraw from the APA process. In such cases, the taxpayer must confirm their withdrawal in writing to the CGIR, which will then coordinate with the foreign tax authority to formally close the case.

If the taxpayer agrees to the terms of the APA as negotiated by the IRD and the foreign tax authority, they must provide written confirmation of their acceptance. Upon receiving this confirmation, the IRD will coordinate with the foreign tax authority to finalize the APA.

If the taxpayer is not a party to the BAPA or MAPA, the taxpayer will be required to sign a separate agreement with the IRD. This agreement will outline the terms of the APA as agreed between the IRD and the relevant foreign tax authority. By signing this agreement, the taxpayer commits to adhering to the agreed terms of the APA.

11.3 Although not exhaustive, the terms typically included in the APA are as follows:

- (a) Nature of the covered transaction(s)
- (b) Term of the APA, including any roll-back period
- (c) Transfer pricing methodology to be applied
- (d) Compensating adjustments, if any
- (e) Critical assumptions underlying the APA
- (f) Taxpayer's annual reporting requirements

12. Submission of the Annual Compliance Report (ACR)

12.1 Taxpayer is required to comply with the annual reporting obligations specified in the APA. For transactions covered by the APA, the taxpayer must submit an ACR in the format prescribed in Appendix 2, along with the Return of Income.

12.2 If the IRD has queries regarding the APA following receipt of the ACR, it may request additional information or clarification from the taxpayer.

12.3 Where the taxpayer submits additional information beyond what is specified in the APA to the foreign tax authority as part of annual reporting in that jurisdiction, the taxpayer should notify the CGIR. The IRD may, depending on the nature of the information, request the taxpayer to provide a copy or an officially translated version of this information.

12.4 If the taxpayer ceases to apply the terms of the APA, such as due to changes in the business model or restructuring, the taxpayer must notify the IRD within 30 days of the date the APA is no longer applied.

13. Benchmark timeframe for completing the APA process

13.1 The time required to complete the APA process depends on various factors, including the scope of the agreement, case complexity, level of cooperation, quality of information submitted, type of APA requested, and other relevant circumstances.

13.2 The IRD aims to complete the APA process within 24 months, subject to the specific facts and circumstances of each case. A proposed timeframe will be agreed upon during the pre-filing consultation and documented in a case plan. The IRD strives to finalize

the pre-filing consultation within six months, with the remaining APA process targeted for completion within 18 months.

- 13.3 The timeframe will commence on the date the taxpayer submits all relevant documents and information to initiate the pre-filing consultation. The end date is defined as the date of official communication regarding the decision to either:
- (a) Decline the APA,
 - (b) Sign the APA, or
 - (c) Acknowledge the taxpayer's withdrawal of the application.
- 13.4 While every effort will be made to adhere to the benchmark timeframe, unforeseen factors may cause delays. In such instances, the IRD will promptly inform the taxpayer of the reasons for the delay and provide updates on the progress of the case.

14. Record-keeping requirement

- 14.1 Taxpayers are required to maintain comprehensive documentation relied upon in concluding the APA, as well as all other supporting information relevant to the agreement. These records must be preserved for a minimum period of five years to ensure the taxpayer's compliance with the terms of the APA can be verified.
- 14.2 The documentation should be readily accessible and available for inspection by the IRD upon request. Non-compliance with record-keeping obligations may lead to consequences under the terms of the APA.

15. Consequences of non-compliance

- 15.1 In cases where a taxpayer fails to comply with the terms and conditions of an APA, the IRD may, at its discretion, determine the appropriate course of action. This may include, but is not limited to:
- (a) Revocation or cancellation of the APA
 - (b) Revision of the APA
- 15.2 In the case of a BAPA or MAPA, the IRD may, at its discretion, consult with the competent authority of the relevant foreign tax authority to address the issue and determine the most appropriate course of action. This may include, but is not limited to, the revocation or cancellation of the APA, or the revision of the APA.

16. Revocation or cancellation of the APA

- 16.1 Revocation renders the APA invalid for the entire period it covers. The taxpayer's position is treated as if the APA was never agreed upon. The effective date of revocation is retroactive to the first day of the APA period.
- 16.2 Cancellation applies to a period starting after the commencement of the APA's term. The effective date of cancellation is determined by the event that caused the cancellation.

For the period following the cancellation, the taxpayer's position is treated as if the APA was not in effect.

- 16.3 Before taking action to revoke or cancel an APA, the IRD will:
- (a) Discuss the case with the taxpayer, providing an opportunity for the taxpayer to respond.
 - (b) Consult with the foreign tax authority's competent authority in the case of BAPA or MAPA.
- 16.4 The IRD will notify the taxpayer and the foreign competent authority of the reasons for revocation or cancellation and effective date of revocation.
- 16.5 An APA may be revoked or canceled if:
- (a) There was a fraud or willful evasion, misrepresentation, mistake, or omission in the information provided during the APA application or reporting process.
 - (b) The taxpayer failed to comply with a material term of the APA.
 - (c) The foreign tax authority has revoked or canceled the APA.
 - (d) Critical assumptions were materially incorrect or were departed from.
 - (e) Changes in IRA or DTAs materially affect the APA, and revisions are not possible.
 - (f) Attempts to revise the APA fail due to lack of agreement between the parties.
- 16.6 If a foreign jurisdiction revokes or cancels the APA, the taxpayer must notify the CGIR within 30 days.
- 16.7 The IRD may waive cancellation if the taxpayer demonstrates reasonable cause and agrees to make adjustments proposed by the IRD to address the issues, such as misrepresentation, non-compliance, or changes in critical assumptions, IRA, or DTA provisions.

17. Revision of the APA

- 17.1 The IRD may seek to revise an APA rather than canceling it. Revisions may be required due to:
- (a) Changes in critical assumptions or APA terms.
 - (b) Changes in the IRA or DTAs affecting the transactions covered by the APA.
- In the case of BAPA or MAPA, the IRD will seek to revise the APA with the agreement of the foreign competent authority.
- 17.2 Taxpayers must notify the CGIR within 30 days of becoming aware of the need for revision, providing reasons for the proposed changes. The IRD will collaborate with the taxpayer and the foreign competent authority.
- 17.3 If agreement on a revised APA cannot be reached, or if the taxpayer does not accept the revised terms, the IRD will cancel the existing APA.
- 17.4 If agreement is reached and accepted by the taxpayer, the revised APA will specify its effective date, from which the original APA's terms no longer apply.

18. Renewing an APA

18.1 Taxpayers wishing to seek a renewal of an APA must submit an application for renewal to the CGIR at least six months prior to the expiration of the previous APA.

An indicative list of information to be included as part of the renewal application is provided in Appendix 1.

18.2 The IRD may request the taxpayer to provide a submission outlining any changes to the material facts, circumstances, and critical assumptions since the original APA. The submission should also address the continued appropriateness of the transfer pricing methodology employed. This may include new benchmarking, additional interviews, or updated financial information and forecasts.

18.3 The renewal of an APA is not automatic. It depends on several factors, including:

- (a) The consent of both the IRD and the relevant foreign tax authority, as applicable.
- (b) The taxpayer's ability to demonstrate that the critical assumptions in the original APA remain valid and applicable.
- (c) The taxpayer's compliance with the previous APA

18.4 If the critical assumptions, APA terms, or provisions of the IRA or DTA have changed significantly since the previous APA, the IRD may request that the taxpayer submit an application for a new APA, rather than seeking a renewal.

19. APA fee structure

19.1 The fee for a new unilateral APA is Rs. 1,000,000 and must be paid by the taxpayer to the IRD at the time of submitting the formal application. For renewals, the fee is Rs. 750,000 and is payable upon submission of the renewal application. These fees cover administrative costs and the review of the taxpayer's application. Both fees are non-refundable.

19.2 The fee for a BAPA or MAPA will follow the direct cost recovery model. Under this model, fees are based on an hourly rate and any expected additional expenses, such as travel costs or other related administrative expenses.

During the pre-filing consultation, taxpayers will receive a provisional quotation that outlines the estimated fees and potential expenses. This amount must be paid by the taxpayer at the time of submitting the formal APA application.

Once the BAPA or MAPA process is completed, any unused portion of the provisional fee will be refunded to the taxpayer. This ensures that taxpayers are only charged for the actual time and costs incurred during the negotiation and review process.

The fee for renewing a BAPA or MAPA will also be based on a direct cost recovery model. Taxpayers will receive a provisional fee quotation at the start of the process,

which must be paid at the time of submitting the renewal application. Any unused portion of the fee will be refunded once the process is complete.

In the case of withdrawal of APA or renewal request by the taxpayer, the fees paid at the time of submitting the application will be non-refundable.

20. Audit scope for transactions covered by the APA

20.1 For transactions covered under the terms of the APA, the scope of any audit conducted by the IRD will generally be limited to:

- (a) Verifying the taxpayer's compliance with the APA's terms and conditions.
- (b) Confirming that the circumstances and critical assumptions underlying the agreed transfer pricing methodology remain valid for the APA's continued application.

21. Confidentiality of information

21.1 All information obtained by the CGIR or the competent authority during the APA process is subjected to the secrecy provisions of the IRA and the relevant DTA.

21.2 The IRD may release aggregated statistics related to the operation of its APA programme. These statistics are presented in a manner that does not identify individual taxpayers or disclose any confidential business information.

Securing an APA in Sri Lanka requires a thorough and systematic approach, but it provides significant advantages, including enhanced certainty, risk mitigation, and potential cost savings. By adhering to this, detailed guide and actively engaging proactively with the IRD, taxpayers can successfully navigate the APA process and achieve favorable results for their transfer pricing arrangements.

For further information, taxpayers are encouraged to consult with the International Tax affairs Unit of the IRD.

Appendix 1: Indicative list of information

(Note: This list is not exhaustive, and the taxpayer should provide any additional information they deem relevant to the APA application.)

1. Cover letter requesting APA or renewal of APA signed by the taxpayer

2. Executive summary

- Taxpayer entities involved.
- Covered transaction(s).
- Proposed APA term (indicating if a roll-back is requested and specifying the years).
- Proposed transfer pricing methodology.
- Legal basis for APA application (relevant DTA and provisions thereof).
- Estimated value (in LKR) of the covered transactions over the proposed APA term.
- Reason why taxpayer believes an APA is appropriate for the transaction(s).

3. Company background information

- Overview of the MNE Group, including its background, history, ownership structure, operations, operating environment and markets.
- Overview of the relevant associated enterprises (AEs) including their tax residency status and how they fit into the corporate structure of the MNE Group.
- Financial year-ends and functional currency for all the AEs to the covered transaction(s).
- Total consolidated revenue for the MNE Group for the most recent financial year for which this information is available.

4. Industry analysis

- A description of the industry, including industry-specific practices.
- Taxpayer's position within the industry, including market share and main competitors.

5. Overview of covered transactions

- Description of transaction flows.
- Overview of relevant legal agreements governing the covered transaction(s).

6. Functional analysis

- A description of the functions performed, assets owned/employed and risks assumed by each of the AEs to the covered transaction(s).
- Characterization of the AEs to the covered transaction(s).

7. Economic analysis

- Selection of transfer pricing methodology (including critical assumptions made in selecting that method, reasons for rejecting the methods which were not selected).

- Search for comparables (including a description of the search and screening processes and the rationale for accepting the comparables selected and for rejecting those not selected).
- Description of adjustments made to the comparables selected.
- Financial information for the selected comparables.
- Summary of the application of the proposed transfer pricing methodology to each of the AE to the covered transaction(s).

8. Financial information

- Financial statements for the previous three years for AE which is a party to the covered transaction(s).
- Financial projections for each of the AE (at an entity level) for the proposed period of the APA.
- Financial projections for the each of the AE for the proposed covered transaction(s) for the period of the APA.

9. Audit

- Details of any tax authority enquiries relevant to the issues in the APA application.
- Confirmation of when the time limit on tax authority audit enquiries expires in each jurisdiction for the roll-back years proposed to be covered by the APA.

10. Other

- A copy of the previous APA in the case of renewal application.
- A copy of any previous or existing rulings or APAs (whether unilateral, bilateral or multilateral) issued by other tax authorities, which relate to similar transaction(s) to those covered by the APA application.

11. Legal agreements

- Copies of all relevant legal agreements.

Appendix 2: Annual Compliance Report (ACR)

1. Taxpayer lodging the ACR:
2. Taxpayer Identification Number:
3. Year of assessment:
4. Details of the covered transaction:

| | |
|--|--|
| APA reference number | |
| Parties to the APA | |
| Countries involved | |
| Covered transaction | |
| Covered transaction amount | |
| Underlying transaction | |
| Underlying transaction value | |
| Has there been any breach of the APA's terms and conditions, including its critical assumptions? | |
| Agreed transfer pricing method | |
| Agreed profit level indicator | |
| Agreed point or range | |
| Actual result achieved | |
| Compensating adjustment | |
| Result after compensating adjustment | |
| Where was the compensating adjustment reflected in the Return of Income? | |

(Add additional columns as required.)

5. 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 ACR contains information that is true, correct and complete.

Designation:

Signature:

Date:.....

SPCIMEN APPLICATION FOR ADVANCED PRICING AGREEMENT FOR SRI LANKA

PART 1 PARTICULARS OF APPLICANT

| | | | | |
|---|-------------------------------------|--|------|--|
| 1 | Full Name | | | |
| 2 | Correspondence Address in Sri Lanka | | | |
| | Postcode | | Town | |
| 3 | Income Tax No | | 4 | Telephone No |
| 5 | Fax No | | | |
| 6 | E- mail | | | |

PART 2 PARTICULARS OF REPRESENTATIVES

| | | | | |
|---|---------------------------------|-----|------|--|
| 1 | Full Name | | | |
| 2 | Correspondence Address | | | |
| | Postcode | | Town | |
| 3 | Tax Agent's Approval Obtained | Yes | | No |
| | (Tick 'v' in the relevant cage) | | | |
| 4 | Telephone No | | 5 | Fax No |
| 6 | e-mail | | | |
| 7 | Full Name of Contact Person | | | |

PART 3 PARTICULARS OF ADVANCE TRANSFER PRICING AGREEMENT

1 Type of Advance Pricing Agreement Applying

| | | | | | |
|---|--------------|--|---|-----------|--|
| 1 | Unilateral | | 2 | Bilateral | |
| 3 | Multilateral | | | | |

(Tick " V " in the relevant cage)

2 Involved countries for proposed Advance Pricing Arrangements

Initiating country and corresponding country/countries - (please specify)

| | | | |
|-----------|-----|-----------|--|
| Sri Lanka | and | Country 1 | |
| | | Country 2 | |
| | | Country 3 | |

3 Particular(s) of the Associated Enterprises with whom the APA's is requested for

| | |
|---|--|
| a. Name(s) of the Associated Enterprise(s) : | |
| b. Name(s) of the countries on which the associated enterprises mentioned in clause (a) are located | |
| c. Taxpayer registration No/ Taxpayer Identification No/ Functional equivalent/Any unique No used for identification of the Associated Enterprise by the Government of that country/ specified territory in which the Associated Enterprise claims to be located. | |
| d. Date of Financial end of Associated Enterprises(s) | |

4 Particulars of the parent company(ies) of the applicant

| | |
|--|--|
| a. Name of immediate parent company of applicant | |
| b. Address of immediate parent company of applicant | |
| c. Country of residence of immediate parent company of applicant | |
| d. Taxpayer registration No/ Taxpayer Identification No/ Functional equivalent/Any unique No used for identification of the immediate parent company by the Government of that country/specified territory of which it claims to be a resident | |
| e. Name of ultimate parent company of applicant | |
| f. Address of ultimate parent company of applicant | |
| g. Country of residence of ultimate parent company of applicant | |
| h. Taxpayer registration No/ Taxpayer Identification No/ Functional equivalent/Any unique No used for identification of the ultimate parent company by the Government of that country / specified territory of which it claims to be a resident: | |

5 Time period for which the APA is requested

Period From

| | | |
|----|----|------|
| | | |
| DD | MM | YYYY |

To

| | | |
|----|----|------|
| | | |
| DD | MM | YYYY |

6. State whether there was a prior request for Advance Pricing Arrangement

Tick " " in the relevant cage)

Yes

No

If Yes , state relevant prior year(s) of assessment

From

To

Parties involved (please specify)

Country 1

with

Country 1

Country 2

Country 2

Country 3

Country 3

please provide following information relevant to advance pricing agreement

7. General information regard to the business)

8. Nature and scope of the transaction to be covered by APA and estimated value in LKR of the covered transactions

8.1 Reason for an APA is appropriate for the above transaction (s)

9. Details of the proposed transfer pricing methodology and its rationale (please provide supporting documents)

10. Description of the critical assumptions under proposed transfer pricing methodology

11.

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| (a) General description of the business |
| (b) Data of all related entities including permanent establishment that will participate in the transactions under consideration of ownership structure (Legal) , Organization chart (Global) and Operational structure |
| (c) Nature of the applicant's business including market analysis related party transactions reference and profile of competitors and their market share |
| (d) Accounting and costing system , policies, procedures and practices including any significant differences that may affect proposed transfer pricing method |
| (e) Business strategies- current and future budget statements, projections and business plans for future period covered by proposed APA |
| (f) Consolidated Revenue for the MNE group immediately previous 3 years |

Applicants Declaration

I(Full name)
Identity card No/Passport NoDesignation.....
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hereby declare the information furnished in this application are true, complete and correct.

Date

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Applicant's
signature

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