

Tax Insights

PwC Israel's Tax Group

Update from the
Transfer Pricing cluster



July 4th, 2022

Dear Clients and colleagues,

Tax Insight 33/2022 - Amendment 261 to the Israeli Transfer Pricing rules has passed the second and third reading in the Israeli Parliament

On June 30, 2022, the Israeli Parliament approved the 261 amendment (the "**Amendment**") to the Israeli transfer pricing rules, as per Sections 85A, 243 and 244(A) of the ITO ("**Transfer Pricing Legislation**") on the second and final reading.

As mentioned, the 261 amendment of the ITO seeks to advance the outline of changes in the reporting and documentation requirement of multinational groups. According to the Amendment, multinational groups whose parent company is Israeli and whose combined turnover exceeds NIS 3.4 billion, will be required to comply with the documentation requirements of the Country-by-Country Report ("**CbC**") under the BEPS Action 13 of the OECD. The documentation requirement will be annual, and the report will be filed via online channels. In addition, the CbC report data will be transferred to other countries that are part of the agreement Israel has signed, as part of the automatically data transfer.

The Amendment of the ITO will be applied on documentation requirements from FY 2022, however multinational groups can voluntarily file the CbC report in Israel for FY 2021.

Alongside the Transfer Pricing Legislation, the ITO is expected to approve soon an update to the Israeli Regulations (the Israeli Regulations is a secondary legislation binding by law), which determines the manner in which the CBC report should be filed, as well as sets the documentation requirements of the Master File and Local File. In this regard, the updated Israeli Regulations are expected to include, among other, the following detail:

- **Local File** - A report that will include information about transactions made by local entities within a territory within a multinational group. This documentation requirement is similar in essence to existing Israeli documentation requirements and generally consistent with the OECD local file. Some relief in the Amendment was provided, regarding one-time or small-scale transactions, for which under special conditions and separately approved rules, the Amendment will not be applied.
- **Master File** - A new report that will include comprehensive information about the multinational group as a whole. The Master File requirements are generally consistent with the OECD master file. This report will only be submitted by companies in multinational groups, whose combined turnover exceeds NIS 150 million.
- **CBC Report** - The Regulations are expected to include the technical details that will be required in the filing of the CbC report.

Additional consideration points to multinationals following the proposed changes, include:

- According to the draft of the Israeli Regulations, the filing deadline of the transfer pricing documentation to the ITA will be shorten from 60 days upon request to 30 days upon request;
- It is expected that the transfer pricing form which is part of the tax return (#1385) will further be updated, according to the approved criteria.

We will keep updating on the development on the matter.

The Transfer Pricing cluster at PwC Israel's Tax Group is at your service for any additional clarifications.

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Kind Regards,

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