Bolivia

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2016
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	No. The regulations are quite recent so, in practice, tax authorities have not yet assessed taxpayers on transfer pricing issues.
Does your country apply the arm's length standard?	Yes
Which TP methods may be applied?	The methods detailed in the regulations are traditional ones included in the OECD guidelines; a price-based comparison (comparable uncontrolled price (CUP) method), gross profit (resale price method and cost plus method), or operating profit (trans- actional profit split method and transactional net margin method). An additional method was included denominated the notorious transaction price in transparent markets method, better known as the "sixth method", which may be applicable to the purchase/sale transactions of companies listed on transparent markets. The regulations also include a provision stating that whenever it is not possible to determine the transaction value by any of these methods, another method may be applied depending on the economic nature and reality of the operations. Reference may also be made to the General Customs Law, in the event of reasonable doubt in the submission of transfer pricing surveys to determine whether the relationship has or has not influenced the execution price of the transaction value.
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	No CbCR/MF/LF
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general:	Law No. 549, dated 21 July 2014. Supreme Decree No. 2227, dated 31 December 2014. was issued in order to regulate the application of Law No. 549. Board Resolution issued by the Tax Administration on Transfer Pricing regulations (RND N° 10-0008-15 - "Transfer Pricing Operations Between Related Parties") on 30 April 2015.

2. Master File (MF)	Not implemented
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	Local regulations do not specify the obligation to create a Master File, thus only local documentation and reporting is required.

3. Local File (LF)	Not implemented
What is the threshold requirement for the obligation to prepare a LF?	• LF according to OECD BEPS 13 has not been implemented but local transfer pricing documentation requirements exist as detailed in the following. • Taxpayers carrying out operations with related parties that amount to a sum equal to or greater (accumulated in one year) to bolivianos 15.000.000.- (fifteen million bolivianos), are compelled to file an electronic tax return (601) declaring operations held with related parties and a file a Transfer Pricing Study. • Taxpayers carrying out operations with related parties that amount to a sum equal to or greater (accumulated in one year) to bolivianos 7.500.000.- (seven million five hundred thousand bolivianos), but lower to bolivianos 15.000.000.- (fifteen million bolivianos) are compelled to file an electronic tax return (601). • Taxpayers carrying out operations with related parties that amount to a sum lower (accumulated in one year) to bolivianos 7.500.000.- (seven million five hundred thousand bolivianos), are compelled to safe keep the necessary documentation in order to demonstrate that said operations were carried out pursuant to market value and/or that they were subject to the necessary adjustments. One boliviano is currently equivalent to approximately $us. 6.96 or EUR 1.19.
As from which year does this obligation exist?	As from the year following the year that the threshold is met.
When does the LF need to be available?	At the time the tax return is filed.
When does the LF need to be submitted?	If the threshold is met, actively filed before the tax authorities along with their financial statements (120 days after the end of the fiscal year) .
How and where should the LF be filed?	It needs to be filed both physically and digitally before the tax authority.
Does the LF have to be prepared in the relevant local language?	Yes. It needs to be prepared in the local language (Spanish).
Or is documentation in English permissible?	No. Tax authorities will not review documentation in other languages as it would be deemed to be not presented.
What are the possible consequences of not having the LF available?	
Imprisonment?	No
Shifting of the burden of proof?	Yes
To which extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?	The Bolivian Local File must include the following additional information: ---- Content Correlative index Executive summary Functional analysis: related parties’ background, types of linking, economic activities, commercial strategies, transaction and contractual agreements details, financial and profitability information Functional analysis: operation quantification, determination and description of the assessment method used, selection and establishment of the comparable, establishing the value difference range, descriptive analysis of the results of the implementation of the method, necessary adjustments if applicable Conclusion: explanation of the adjustment made or why no adjustment was necessary

4. Country-by-Country Reporting	Not implemented
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	No

5. TP disclosure in tax return or transfer pricing specific returns	
Does a taxpayer need to disclose information regarding TP documentation in his tax return?	Yes, in case the threshold is met.
What would be the filing deadline?	120 days after the end of the fiscal year when the income tax return is presented.
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	Intentionally submitting an incorrect / too low tax return and failing to inform the tax authorities accordingly may constitutes a tax crime. Legal consequences may range from (monetary) fines to imprisonment from 3 to six years. If income is understated due to gross negligence, the act is considered to be a tax offence subject to a (monetary) fine.
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	Intentionally submitting an incorrect / too low tax return and failing to inform the tax authorities accordingly may constitutes a tax crime. Legal consequences may range from (monetary) fines to imprisonment from 3 to six years. If income is understated due to gross negligence, the act is considered to be a tax offence subject to a (monetary) fine.
Does a taxpayer need to file TP-specific returns?	No

6. Benchmarking	
Is there any local guidance or requirement with regard to the preparation of a benchmark study?	No

7. Year-end adjustments	
Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	Yes. Basically comply with local accounting principles.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	As mentioned before, no assessments have been yet carried out by tax authorities.
Based on your experience, are joint or multilateral audits initiated and carried out?	No

Your contact person:

Mr. Pablo Ordonez
pordonez@ferrere.com
T: +591 33419565