



cutting through complexity™

European Commission Query on language requirements for transfer pricing documentation

Dirk Van Stappen

Partner, KPMG Tax Advisers,
Global Transfer Pricing Services, Belgium

Business Member EU Joint Transfer Pricing Forum

November 29, 2010





cutting through complexity™

Compilation of Responses from KPMG offices in the 27 EU Member States

29 November 2010 / Dirk Van Stappen

dvanstappen@kpmg.com

Tel. 32 3 821 19 18

Contents

Country	Slide	Country	Slide
1. Austria	3	18. Malta	20
2. Belgium	4	19. The Netherlands	21
3. Bulgaria	5	20. Poland	22
4. Cyprus	6	21. Portugal	23
5. Czech Republic	7	22. Romania	24
6. Denmark	8	23. Slovakia	25
7. Estonia	9	24. Slovenia	26
8. Finland	10	25. Spain	27
9. France	11	26. Sweden	28
10. Germany	12	27. United Kingdom	29
11. Greece	13		
12. Hungary	14		
13. Ireland	15		
14. Italy	16		
15. Latvia	17		
16. Lithuania	18		
17. Luxembourg	19		

Austria

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Formally, all documents, including transfer pricing documentation, should be in German. However in practice, documentation is also accepted in English.

Consequences should language requirements not be respected, if any.

According to Section 131 Federal Tax Procedure Act (FTP), the tax authorities have the right to demand a translation of the documentation. However, as mentioned, tax auditors tend to be more flexible and in general, also accept English versions of transfer pricing documentation.

Belgium

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

The language in which transfer pricing documentation should be maintained depends on the location of the company in Belgium. Hence, in principle, depending upon the region, Dutch, French or German are accepted. However practice shows that documentation in English is accepted in the vast majority of the cases.

Consequences should language requirements not be respected, if any.

According to Paragraphs 10 to 14 of the Circular Letter nr. Ci.RH.421/580.456 of 14 November 2006, specific documentation which only relates to Belgium may be requested to be translated when it has not been prepared in one of the official languages used in Belgium (Dutch, French and German). The Circular Letter also provides that where the translation of the documentation proves to be overly burdensome on the taxpayer, the tax authorities should be flexible in considering the taxpayer's reasons for non-translation, and should try to reach a mutual agreement with the taxpayer in this respect. This flexibility is especially requested for documents which have a regional (pan-European) or global scope (e.g. transfer pricing studies, transfer pricing policies, agreements, etc).

Bulgaria

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Under the Bulgarian Tax and Social Security Procedure Code (TSSPC), for all documents provided to the Bulgarian tax authorities in a foreign language, a translation into Bulgarian by a certified translator should also be provided. With regard to transfer pricing documentation, it should be noted that the requirements are based on a Transfer Pricing Manual, which although is not a statutory act, provides a general guide on transfer pricing requirements which the local tax authorities would expect to be fulfilled. More specifically, under this Manual, the transfer pricing Master File might include information in a language different from Bulgarian. However, in compliance with the TSSPC, a certified translation of such information is required. If the taxpayer does not provide such a translation, the authorities might arrange for a translation on the account of the taxpayer. With regard to country specific documentation, this should be prepared in Bulgarian, or translated into Bulgarian where it has been prepared in a foreign language.

Consequences should language requirements not be respected, if any.

Where a taxpayer does not provide the tax authorities with a translation of the documentation, the tax authorities would then arrange for it by themselves, but the costs would be borne by the taxpayer. It should be noted that this may arise if (i) a translation is provided but the authorities consider it incorrect, and/or if (ii) a translation is not provided within the period of time determined by the authorities.

Cyprus

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Cyprus does not have any specific transfer pricing legislation apart from the general arm's-length principle requiring that all transactions between related parties should be maintained on an arm's length basis. Hence, there is no mandatory requirement to prepare or submit specific transfer pricing documentation to the tax authorities. However, a taxpayer may be requested to prove that the transaction in question is at arm's length, in that market rates are used. In this case, while there is no mandatory requirement for transfer pricing documentation, other documentation may be submitted (e.g., bank interest rates to show that interest rates are at arm's length). In theory, documentation must be submitted in Greek, with Greek being the official language in Cyprus. However, in practice, the tax authorities may accept documentation in English if they deem it reasonable, or may request official translation of the documentation into Greek.

Consequences should language requirements not be respected, if any.

Not applicable.

Czech Republic

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation should be provided in Czech or in Slovak languages. This is an official requirement set by the Act on Administration of Taxes. In practice, one can agree with the tax inspector that he accepts a foreign language (usually English, less likely German, and least likely French) depending on his language capabilities and willingness to do so. In the case of an official APA application, it should only be in Czech or Slovak.

Consequences should language requirements not be respected, if any.

Not respecting language requirements may mean that the taxpayer has not met the obligation set by the legislation (and not able to justify its position). Tax authorities can formally reject such documents in foreign language. In KPMG's experience, this has yet to happen as agreement was either made on acceptance of the foreign language, or documents were eventually translated to Czech.

Denmark

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation can be prepared in Danish, English, Norwegian, or Swedish according to minimum documentation executive order nr. 42 dated 24 January 2006 (Bekendtgørelse om dokumentation af prisfastsættelsen af kontrollerede transaktioner). In practice, transfer pricing documentation is normally prepared in English. Despite this, the tax authorities will accept and be able to understand transfer pricing documentation prepared in Danish or the other Nordic languages (Swedish and Norwegian).

Consequences should language requirements not be respected, if any.

The language requirements are part of the executive order on transfer pricing documentation (the minimum documentation regulations) introduced in January 2006, which sets out the structure and lists the minimum content of transfer pricing documentation. In theory, the consequence of not complying with these requirements could be that the documentation is rejected and penalties are imposed if a new documentation is not submitted within the original deadline (60 days from the date where the request for a transfer pricing documentation is received by the relevant company). In practice, a likely outcome will be that the tax authorities will request a translation of the documentation. In this connection, it should also be taken into consideration that in order to avoid language barriers, it is recommendable to submit the documentation in one of the approved languages (Danish, English, Swedish, Norwegian).

Estonia

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

According to Estonian transfer pricing legislation, transfer pricing documentation may be submitted in English. However, the tax authorities may request a translation of the documents into Estonian, providing a reasonable deadline for submitting the translated documents. According to the legislation, the request for translation should not be unreasonable and disproportionate to the taxpayer.

Usually, documentation prepared in English is accepted by the tax authorities. KPMG is aware of very few cases where the translation of documentation has been requested during tax audits.

Consequences should language requirements not be respected, if any.

If the language requirements are not respected (i.e. not translated on the tax authorities' request), it may be possible that the tax authorities will translate the documentation themselves and seek refund from the taxpayer. KPMG has not come across this practice as yet.

Finland

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation can be prepared and provided to the Finnish tax authorities in English. This has been mentioned in the draft legislation and the administrative guidelines published by the tax authorities. According to the guidelines, the tax office may ask a taxpayer to provide a Finnish/Swedish translation for important parts of the documentation, if e.g. the text leaves room for interpretation. However, in practice, the English versions of transfer pricing documentation have been approved without translations.

Consequences should language requirements not be respected, if any.

According to the Finnish legislation, a transfer pricing penalty of EUR 25.000 at maximum may be charged if the taxpayer fails to submit sufficient documentation within the specific deadline, or alternatively has submitted documentation, explanation, or enclosures that contain insufficient information or errors. Thus, a penalty may be imposed if language requirements have not been respected.

France

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

The French transfer pricing regulation per se (article L13 AA of the French tax code) does not require the documentation to be drafted in French. Nevertheless, based on Article L 123-22 of the French commercial code and Article 54 of the French tax code, the French tax authorities may require the taxpayer to translate any document written in a foreign language into French, including transfer pricing documentation.

In practice, there is tolerance for transfer pricing documentation prepared in English (even though this tolerance is not systematic).

Consequences should language requirements not be respected, if any.

The failure to provide transfer pricing documentation in French within 30 days upon request of the French tax authorities would be equivalent to providing no or incomplete documentation. In such cases, the French tax authorities can propose a reassessment based on the sole available information. Additionally, based on article 1735 ter of the French tax code, penalties of up to 5 percent of the transfer pricing reassessment or EUR 10.000 per audited year (whichever is greater) can be notified.

In practice, when transfer pricing documentation is available, refusal by the taxpayer to translate such documentation is very rare. It is also likely that the French tax authorities accept additional delays for the translation, or limit the scope of the translation to certain parts of the documentation.

Germany

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

According to German legislation (Sec. 87 of the Fiscal Code of Germany), the documentation of inter-company transfer prices generally needs to be prepared in the German language. In justified cases, the tax authorities may require submission of a notarized translation or a translation by a publicly authorized or sworn interpreter or translator. However, according to Sec 2 para. 5 of the German Profit Determination Documentation Regulations (“GAufzV”) taxpayers may apply for an exemption. If granted, the taxpayer is allowed to provide documents in English. Otherwise, the taxpayer may revert to Circular IV B 4 – S 1341 – 1/05 (“Verwaltungsgrundsätze Verfahren”) in which the German tax authorities have stipulated that the translation of documents should be limited to the necessary parts. Therefore, as long as a document is in English, the translation of relevant parts can be sufficient. Nevertheless, the submission of partially translated documents to the tax administration cannot substitute the disclosure of information contained in non-translated portions of such documents.

In practice, there used to be a trend in Germany where the tax authorities were content with transfer pricing documentation submitted in English. It was sufficient to submit contracts and other means of proof in the original English language. Other languages, however, were at no time accepted in Germany. This trend has been reversed in recent years, on the one hand due to an increasing number of tax audits focusing on transfer pricing issues, and on the other hand due to tax authorities experiencing that their English skills are not as good as the skills of industry representatives and/or their advisers, leading to a disadvantage in negotiations. Consequently, more and more tax inspectors demand the translation of relevant documents and transfer pricing documentations in German.

Consequences should language requirements not be respected, if any.

If requested, the taxpayer may have to translate the whole transfer pricing documentation, or at least some elements thereof, within 60 days at his own expense. Where such translation is not furnished without undue delay, the tax authorities may arrange for a translation at the expense of the taxpayer. If the submission of such documentation is delayed due to the translation, it could additionally impose penalties.

The submission of documentation in a foreign language, on the other hand, without the prior approval of the tax administration, could result in a situation in which the documentation as a whole is viewed to be substantially futile. Also, the tax inspectors are neither legally obliged to negotiate with taxpayers in foreign languages, nor do they have to make use of an interpreter or, with regard to documents, a translator.

In practice, German tax authorities apply these rules strictly. It is often that the alleged uselessness of the documents is employed by tax inspectors in order to substantiate their position during tax audits. Negotiation during tax audits are also frequently held in German as the majority of tax inspectors feel that their language skills are not sufficient to ensure proper proceedings.

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

There are two parallel legislations on transfer pricing in Greece, one introduced by the Ministry of Development and one introduced by the Ministry of Finance. Concerning the transfer pricing legislation introduced by the Ministry of Development (Law 3728/2008) and according to the provisions of article 10 of the Ministerial Decision A2-8092 published in the Government Gazette issue No B' 2709/31.12.2008 which provided clarifications regarding the implementation of the transfer pricing provisions of Law 3728/2008, the transfer pricing documentation must be filed in Greek. In this respect any files prepared in a foreign language must be translated into Greek. The Ministry of Development, which has recently started respective transfer pricing audits, has not in practice taken a different position.

Concerning the transfer pricing provisions implemented for tax purposes by the Ministry of Finance (article 39, 39A of Law 2238/1994), which relate to financial years ending from 31 August 2010 onwards, the Ministry of Finance is expected to issue a circular regulating/clarifying issues related to the filing of the transfer pricing documentation with the tax authorities (i.e. language, transfer pricing methods etc).

Consequences should language requirements not be respected, if any.

As far as the Ministry of Development is concerned, Law 3728/2008 (and the relevant Ministry Decisions) do not explicitly provide what the implications would be if transfer pricing documentation is not provided in Greek (and instead it is provided in a foreign language) to the authorities. However, KPMG believes that in such a case, the authorities may treat this as a non-submission and seek to impose the penalty of Article 11 of the above Ministerial Decision, which provides that in the case that a company does not comply with the transfer pricing documentation obligations provided by law (i.e. non-submission of transfer pricing documentation within the set timeline of 30 days from the date of request), a penalty of 10 percent on the value of the transactions of the company will apply. KPMG notes that this has not been tested in practice, as all documentation files have been provided in Greek by the companies.

As far as the Ministry of Finance is concerned, as stated earlier, the Ministry has not yet issued the relevant circular dealing with the procedural aspects of the preparation and filing of transfer pricing documentation.

Hungary

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

From 1 January 2009, taxpayers are allowed to prepare transfer pricing documentation in a language other than the Hungarian language. As this is a relatively new legislation (and became effective retrospectively for the business year 2009), there is still an explicit possibility that the Hungarian tax authorities may request for translation of the documentation. Previously, if the tax authorities received transfer pricing documentation not in the Hungarian language, in almost all cases, translation was requested. KPMG's overall experience is that the tax auditors are reluctant to work in other languages apart from the Hungarian language.

Consequences should language requirements not be respected, if any.

As mentioned, theoretically, documentation in a foreign language could also comply with local requirements. However, KPMG is of the view that the Hungarian language will continue to be highly preferred. Up to now, there has been relatively few experience on consequences arising from the event that a taxpayer is not willing to translate the documentation upon request. However, It is anticipated that a default penalty would be levied.

Ireland

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

The Irish tax authorities expect all documentation to be in English. The legislation does not strictly specify a language, but in practice, the Irish tax authorities do not have the skills to deal in languages other than English.

Consequences should language requirements not be respected, if any.

No specific legislative consequences, but it is unlikely that a tax inspector will attempt to translate a document, so they are likely to insist upon an English translation being provided to them.

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation (both the Master File and Country File) must be in local language (Italian). The Master File can be in English only if it has been prepared by a foreign parent company, but the Country File must always be in Italian.

Consequences should language requirements not be respected, if any.

The Italian documentation laws have only been introduced this year, and hence, there is no experience on the consequences of not respecting the language requirements.

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

In theory, transfer pricing documentation in English, and possibly other common languages, is accepted as validly available, but the tax authorities are very likely to demand a translation into Latvian. If the source documentation is not in English, then the requirement for translation is highly likely. It is unlikely that English or other languages would be accepted for intra-country transfer pricing requirements.

Consequences should language requirements not be respected, if any.

In theory, having transfer pricing documentation available would remove or mitigate penalties, even if a profit adjustment is deemed to be necessary. Having the documentation in a language other than Latvian should not affect this, but it would be advisable to have such documentation ready to allow translation to be done within the submission request deadline (30 days) if the tax authorities insist on the Latvian language.

Lithuania

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation should be stored in a form and language chosen by the taxpayer, and must be filed with the tax administrator within 30 days upon request. The taxpayer should provide the documentation in the original language, if such documentation is not in Lithuanian language. The tax administrator may require a translation of these documents into the Lithuanian language, establishing the deadline for the submission of the translation.

Consequences should language requirements not be respected, if any.

Transfer pricing documentation should be submitted in the form it was accomplished, if that allows without any extra evidence, to identify the reliability of the information presented. However, it is very likely that documentation will be required to be translated. In practice, KPMG has not encountered this issue as most of our clients have documentation prepared in Lithuanian language, or have adapted documentation prepared by the parent or group company to local requirements, and translated into Lithuanian.

Luxembourg

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

There are no specific requirements for transfer pricing documentation in Luxembourg. In principle, the documentation should be in French or German (as with Luxembourgish, they are the two official languages). However, English is widely accepted by the Luxembourg tax authorities.

Consequences should language requirements not be respected, if any.

If another language other than the mentioned is used, the Luxembourg tax authorities are likely to ask for a translation into one of those languages, duly done by a specialized translator.

Malta

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

There are no requirements for transfer pricing documentation in Malta. Nevertheless, English is an official language in Malta, and most documents are prepared in English.

Consequences should language requirements not be respected, if any.

Not applicable.

The Netherlands

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

The official language for preparing and presenting documentation to the Dutch tax authorities is Dutch. The Dutch legislation on taxation does not include specific clauses on language other than that the documentation needs to be accessible, only with respect to e.g. certain appeal procedures, the General Administrative Law Act (Algemene Wet Bestuursrecht) which explicitly requires translation if needed for assessment of the case.

In practice, almost all transfer pricing documentation is drafted and submitted to the Dutch tax authorities in English, which is generally accepted. However, documents drafted in languages other than English and Dutch may require translation due to a lack of knowledge with the Dutch tax authorities on these languages.

Consequences should language requirements not be respected, if any.

Not applicable.

Poland

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

In both theory and in practice, transfer pricing documentation should be prepared in Polish.

Consequences should language requirements not be respected, if any.

In theory, and very often in practice, the documentation will not be accepted if it is not in Polish. Therefore, in most cases, if documentation is prepared in other language than Polish and submitted to the authorities, it would not be accepted. In practice, it is possible that the authorities may ask for translation into Polish if any part of the documentation is provided in other language than Polish. However, it also depends on the individual approach (and goodwill) of the inspector presented with the documentation.

Portugal

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

The relevant transfer pricing information/documentation should be prepared in Portuguese language. Reports in English tend to be accepted (there is no specific legislation regarding the acceptance of English language). A specific request may be submitted to the tax authorities to exempt the taxpayer from the translation requirement. Nevertheless, the tax authorities have the right to accept it or not, and may request translation of any document written in foreign languages, into Portuguese.

In practice, and according to KPMG's experience, documentation prepared in English has always been accepted.

Consequences should language requirements not be respected, if any.

The translation of documentation may be requested by tax authorities with a certain deadline. KPMG is not aware of any penalties regarding this issue.

Romania

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Any document to be submitted to the Romanian tax authorities, including all sections of the transfer pricing documentation file (including contracts, invoices, etc.) should be prepared in Romanian language.

Consequences should language requirements not be respected, if any.

If the transfer pricing documentation file is not available in Romanian language, the Romanian tax authorities could suspend the tax audit and provide a deadline for presenting it.

In theory, there may be extreme approaches to consider that the transfer pricing file is incomplete/not prepared unless it is in Romanian language. In practice, where the transfer pricing documentation file was still in other language after the deadline (and possible extension), KPMG has come across cases where the Romanian tax authorities requested for authorized translation of the transfer pricing related documents into Romanian language within a very short timeframe (i.e. in 5 days).

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

In principle, the transfer pricing documentation must be maintained in the Slovak language. There is the possibility to apply for an approval from the tax authorities to submit the transfer pricing documentation also in a different language, but KPMG has not had good experiences in receiving such approvals in the past. There is, however, in general, the obligation to submit the documentation to the tax authorities within 60 days upon their request, and it is common that taxpayers choose to maintain the documentation in the English language and subsequently translate it into Slovak upon request by the tax authorities.

Consequences should language requirements not be respected, if any.

As transfer pricing documentation prepared in a specific format as outlined by the Slovak Ministry of Finance is only required from 2009 onwards, there has not been any practical experience as to how the tax authorities may approach a company which does not maintain transfer pricing documentation in the Slovak language. It is however possible that in the worst case scenario, the tax authorities may impose a penalty on the taxpayer as if the documentation was not available, i.e. up to EUR 33.190 (this penalty may also be imposed repeatedly).

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

According to the Slovene Tax Procedure Act, transfer pricing documentation may be prepared in foreign language (mostly in English), but should be translated into the Slovene language upon the request of the tax authorities (in practice this usually depends on the tax inspector's knowledge and complexity of the documentation). While the tax authorities determine the deadline for the submission of the translation on a case-by-case basis, the minimum of 60 days is provided.

Consequences should language requirements not be respected, if any.

In the case where the taxpayer does not provide the tax authorities with the requested data and transfer pricing documentation in the prescribed way, the following penalties may be imposed:

- between EUR 1.200 and EUR 15.000 for micro and small taxpayers, and between EUR 600 and EUR 4.000 for the respective responsible person of the taxpayer; and
- between EUR 3.200 EUR and EUR 30.000 for medium and large taxpayers, and between EUR 800 and EUR 4.000 for the respective responsible person of the taxpayer.

Please note that tax penalties in practice depend on each particular case.

Spain

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

There is no specific regulations regarding the language of transfer pricing documentation. The documentation might be accepted in English as long as the auditor understands English. However, if the issue becomes controversial, internal courts require all documents to be submitted in Spanish. Therefore, it becomes a voluntary issue which is fully dependent not only on the knowledge of the language, but also on the will of the auditor. Please note that domestic legislation is to be interpreted according to the OECD Guidelines and the European Code of Conduct.

Consequences should language requirements not be respected, if any.

In case Spanish is specifically required, tax auditors should give 10 days for translation but not responding adequately to such request will be considered as lack of cooperation and subject to penalties.

This is in application of the General tax Code as no specific legislation regarding language is included in specific transfer pricing legislation .

Sweden

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Transfer pricing documentation must be provided in Swedish, Danish, Norwegian, or English. This is clearly stated in the regulations issued by the Swedish tax authorities. The regulations have the same bearing as law.

Consequences should language requirements not be respected, if any.

If documentation is provided in a language not accepted by the regulations, the Swedish tax authorities will first ask the company to provide documentation in an accepted language. If the company does not comply, the tax authorities may issue a fine that is payable unless the company complies with the request. The size of the fine is to be decided by the tax authorities. KPMG is aware of a case where an individual was levied a fine of SEK 1.000.000. In practice, not complying with the tax authorities' request also means that the tax authorities will be able to shift the burden of proof to the taxpayer much easier than what would have been the case otherwise.

United Kingdom

Can transfer pricing documentation be prepared/provided in a commonly understood language, or should it be prepared/provided in the official language of the country?

Guidance published by HMRC in the international tax manual (INTM433050) states that a business 'should make [documentation] available and accessible to HM Revenue and Customs (including, where appropriate, translation from another language), but the form in which the documentation is stored should be at the discretion of the business'. Therefore, whilst it is possible to prepare UK transfer pricing documentation in a language other than English, if HMRC request a business to provide documentation, the documentation must be provided in English.

Consequences should language requirements not be respected, if any.

While KPMG has had no practical experience of documentation being prepared in any language other than English, it is assumed that if the documentation is not provided in English, this would constitute a failure to provide information requested by HMRC and standard penalties are likely to apply. The two types of penalty most likely to apply in this case are:

- a standard penalty of £300; and
- a daily penalty of up to £60 a day.

© 2010 KPMG Tax Advisers, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").