NEWSLETTER — TAX LAW

September 2026

Transfer pricing: annual return due by 5 November 2026

The annual transfer pricing return (Form No. 2257-SD), due by 5 November 2026 for companies that closed their financial year on 31 December 2025, is a transparency obligation borne by the taxpayer — one that can prove particularly damaging if poorly prepared.

Indeed, since this filing feeds directly into the tax authorities' risk-targeting algorithms, it can end up attracting the very audit it is meant to ward off. It is therefore less a reporting formality than a tool for preventing tax litigation — all the more so as recent case law from the Conseil d'État has reaffirmed the limits on the tax authorities' powers, provided the taxpayer has first secured its own documentation.

01 Transfer pricing reporting obligations: who is concerned?

Depending on the size of the economic group to which they belong, certain companies are required to comply with reporting obligations. There are three such obligations, each with its own trigger threshold and penalties. It is therefore necessary to check, each year, whether any of these thresholds has been crossed.

	ARTICLE	THRESHOLD	PENALTY INCURRED
Simplified annual return — Form 2257-SD	Article 223 quinquies B of the French Tax Code (CGI)	Turnover or gross assets (of the entity or of an entity which holds/is held > 50 per cent of the share capital or voting rights) > €50m + intra-group flows > €100,000 per transaction category	€150 for non-filing €15 per omission or inaccuracy, with a total of no less than €60 and no more than €10,000.
General documentation — Master file / Local file	Article L. 13 AA of the French Tax Procedures Code (LPF)	Turnover or gross assets (of the entity or of an entity which holds/is held > 50% of the share capital or voting rights) > €150m (threshold lowered by the 2024 Finance Act)	0.5% of transactions not covered, or 5% of the resulting profit adjustments relating to these transactions €50,000 minimum per financial year
Country-by-country reporting (CbCR) — Form 2258-SD	Article 223 quinquies C of the CGI	Consolidated turnover > €750m	€100,000 maximum

> **NOTE**
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> *Since 1 January 2024, any discrepancy between the methodology described in the documentation and the one actually applied is presumed to constitute an indirect transfer of profits: the burden of proof shifts to the taxpayer.*

02 Recent case law

Burden of proof: the Conseil d'État clarifies who must show what

The Conseil d'État has clarified how the burden of proof operates in transfer pricing matters: it is not, in the first instance, for the taxpayer to show that its prices comply with the arm's length principle. It is for the tax authorities to first establish a discrepancy with a relevant comparable before the burden of proof shifts to the taxpayer. In this case, a mere reference to an internal contractual allocation clause was not considered sufficient to constitute a valid comparable. (CE, 7 May 2026, No. 496874, SA Engie)

> **IN PRACTICE**
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> this decision gives groups under audit a useful basis for challenging assessments built on approximate comparables. It does not, however, remove the need for robust documentation: once the presumption under Article 57 of the French Tax Code (CGI) is established, the reversal of the burden of proof introduced by the 2024 reform continues to apply.

VAT and transfer pricing: the CJEU provides further clarity

Building on the Arcomet and SC Arcomet Towercranes cases, the Court of Justice clarified how transfer pricing adjustments interact with VAT: a purely accounting adjustment, with no identifiable consideration for a supply of services, falls outside the scope of the tax. (CJEU, 13 May 2026, Stellantis Portugal, C-603/24).

> **IN PRACTICE**
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> The characterisation adopted in intra-group agreements becomes decisive. A simple cost recharge, with no identifiable service in return, falls outside the scope of VAT — whereas an adjustment corresponding to an actual service (technical support, know-how licence, etc.) remains subject to it, with the related invoicing obligations and implications for input VAT recovery. Intra-group agreements are worth revisiting in light of this distinction.

03 The 5 November 2026 deadline

The annual return (Form No. 2257-SD) includes general information about the group, information specific to the filing company, and their respective transfer pricing policies.

This return must be filed electronically, within six months of the corporate income tax return's filing deadline — i.e. **5 November 2026** for companies closing their financial year on 31 December 2025.

04 Checklist before 5 November

- [ ] Review cross-border intra-group transactions and reconcile the method actually applied with the one described in the Local file, where applicable
- [ ] Confirm the group's status against each of the reporting obligations
- [ ] Prepare and e-file Form 2257-SD via the professional tax portal
- [ ] Anticipate setting up and/or updating the transfer pricing documentation (Master file, Local file)

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Our support

Squadra Avocats' tax team assists French and international groups in preparing their Form 2257-SD filing, building or updating their transfer pricing documentation, and defending their positions in the event of a tax audit.