

Tax Flash

Tax Flash is an electronic newsletter prepared by PricewaterhouseCoopers Česká republika, s.r.o. to keep you up to date on the latest tax and legal news. A more complex look at key tax changes and their impact on your business is provided in our monthly newsletter, Tax & Business News.

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

Czech Republic

19 March 2015

Contact

Natalia Pryhoda

+420 251 152 647

Radek Buršík

+420 251 152 509

Prague Office

Hvězdova 1734/2c, 140 00 Praha 4
+420 251 151 111

Brno Office

náměstí Svobody 20, 602 00 Brno
+420 542 520 111

Ostrava Office

Zámecká 20, 702 00 Ostrava
+420 595 137 111

News from the field - Tax Administration intensifies reviews of transfer prices

*The Specialised Financial Office (“SFO”) as well as local tax offices (“TOs”) are launching **field investigations related to transfer pricing**. At the beginning of the field investigation, the tax administration asks for particular documents (e.g. agreements, transfer pricing documentation, etc.), and they arrange a meeting with the company’s representatives. Then during the meeting, the tax administration poses prepared questions which are usually very specific and partially based on the voluntary questionnaire from 2014. This confirms the current trend of the tax administration, which is placing a greater emphasis on related party transactions and using a systematic approach to review transfer prices (we informed you about the SFO’s nationwide inspections in February).*

Why are the field investigations important for you?

The SFO and the TOs use the field investigations to collect information within the scope of their investigative activity. The tax administration cannot challenge the tax liability during a field investigation; taxes can only be additionally assessed during a tax audit. However, we recommend **paying extra attention to the field investigation and not underestimating it**. All findings will be stated in a written report and will be part of the taxpayer’s file; the findings may lead to further steps taken by the Czech tax administration (e.g. tax audit) and can be used to assess additional tax later on.

How can we help you?

1. We will help you understand your rights as well as the tax administration’s obligations during a field investigation.
2. We will review the consistency and completeness of documents which are provided to the tax administration (e.g. agreements, invoices and other accounting records).
3. We will assess the documents in relation to the company’s actual transfer pricing setup, and we will identify potential risks.
4. The result of the field investigation depends on statements and documents provided by the company. We will participate in the field investigation, and we will assist you in explaining your applied transfer pricing methodology to the tax administration in order to reduce the risk of a potential misunderstanding.

