

According to the provisions of Section 15.2 of the act On Taxes and Duties and Paragraph 214 of the Transitional rules, the transfer pricing documentation preparation and reporting **requirements apply** in respect of **the transactions** that were carried out starting with the reporting period **beginning in 2018**.

1. **Transactions for which the arm's length nature of prices should be justified in the Transfer pricing documentation**

According to the requirements laid down in Section 15.2, Paragraph two of the act On Taxes and Duties, the taxpayer – **resident or a permanent establishment** - is required to justify the arm's length nature of the prices applied **in the controlled transactions carried out with the following parties:**

Related foreign companies

No.1

Related natural person

No.2

A legal or natural person located in an
“offshore”

No.3

A resident, if the transaction takes place within
a single supply chain with No.1 or No.3

No.4

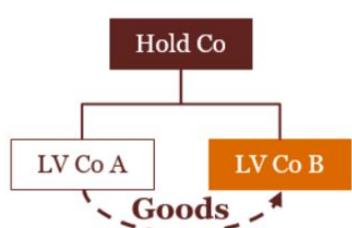
No.1 The parties referred to are defined in Section 1, Clause 29.3 of the act On Taxes and Duties

No.2 The parties referred to are defined in Section 1, Clause 18 of the act On Taxes and Duties

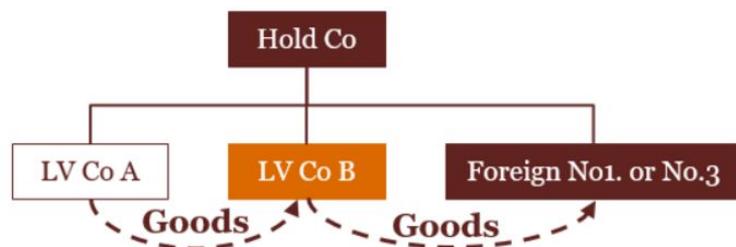
No.3 The list of the mentioned countries or territories is set out in the Cabinet Regulation No. 655 “Regulation on low-tax and tax-free countries and territories” of 7 November 2017

No.4 According to the provisions of Section 15.2, Paragraph two, Clause 4 of the act On Taxes and Duties, the taxpayer’s transaction with the resident is considered to be occurring **within a single supply chain if the commercial and financial relations of the transaction** in terms of the functions carried out, accepted, controlled or managed risks or assets used **is economically related with the transaction with parties No. 1 or No. 3.**

The transaction is not a chain transaction



The transaction is a chain transaction



2. The amount of the controlled transactions (ACT) carried out during the relevant reporting year must be calculated

The transactions carried out during the relevant reporting year must be aggregated, e.g., goods sale transactions (earnings derived) and service transactions (costs incurred).

3. The obligation to prepare and submit the Master file for the controlled transactions with the person No.1, No.2, No.3

	Must be submitted**	Must be prepared and submitted on request ***
ACT * > EUR 15,000,000	✓	
Net turnover EUR 50,000,000 and > ACT* > EUR 5,000,000	✓	
Net turnover <= EUR 50 000 000 and EUR 5,000,000 < ACT* < EUR 15,000,000		✓

* **ACT = No. 1 + No. 2 + No. 3**

** According to the requirements laid down in Section 15.2, Paragraph three of the act On Taxes and Duties, **within 12 months after the end of the reporting year**, the taxpayer is required to submit the Master file to the SRS for the controlled transactions carried out by it with the persons No. 1, No.2 and No. 3 in the relevant reporting year.

***According to the requirements laid down in Section 15..2, Paragraph four of the act On Taxes and Duties, the taxpayer is required to prepare the Master file within **12 months** of the end of the reporting year and **submit it to the SRS within one month of receipt of the request**, for the controlled transactions carried out by it in the relevant reporting year with the persons No.1, No.2 and No. 3. In accordance with the requirements laid down in the same Section, Paragraph five, the taxpayer is required to **review the prepared documentation on an annual basis**.

4. The duty to prepare and provide the Local file for the controlled transactions with the persons No.1, No.2, No.3

	Must be submitted**	Must be prepared and submitted on request ***
ACT * > EUR 15,000,000		
EUR 250,000 < ACT* < EUR 5,000,000		

*** ACT = No. 1 + No. 2 + No. 3**

** According to the requirements laid down in Section 15.2, Paragraph three of the act On Taxes and Duties, the taxpayer is required to submit the Local file to the SRS within 12 months after the end of the reporting year, for the controlled transactions carried out by it with the party No.1, No.2 and No.3 in the relevant reporting year.

***According to the requirements laid down in 15..2, Paragraph four of the act On Taxes and Duties, the taxpayer is required to prepare the Local file within **12 months** of the end of the reporting year and **submit it to the SRS within one month of receipt of the request**, for controlled transactions carried out by it in the relevant reporting year with a person No. 1., No. 2., No. 3. According to the requirements laid down in Section , Paragraph five, if the situation affecting the transfer pricing methodology has not changed significantly, the taxpayer shall have the right to review the prepared documentation every three years (except the comparable financial data included therein).

5.The obligation to prepare and provide the Local file for the controlled transactions with the persons No.4

	Upon request prepare and submit**
ACT* > EUR 250,000	

* **ACT = No. 4**

According to the requirements laid down in Section 15.2, Paragraph seven of the act On Taxes and Duties, the taxpayer is required to **prepare the Local file, if the SRS requests to do so on the controlled transactions carried out with the person No.4 in the relevant reporting year **and submit it to the SRS within 90 days of receipt of the request** (with an option to extend the period for another 30 days).

6.The obligation to prepare and provide the Simplified transfer pricing documentation of controlled transactions with the persons No.1, No.2, No.3, No.4, if the taxpayer has the right not to prepare the Local file

According to the requirements laid down in Section 15.2 Paragraph twelve of the act On Taxes and Duties, the taxpayer has the right not to prepare the local file for the transactions to which a simplified transfer pricing procedure and a simplified transfer pricing documentation applies.

In this case, the taxpayer is required to **prepare, within 12 months** after the end of the reporting year **and, if the SRS requires so, submit, within one month of receipt of the request**, the simplified transfer pricing documentation on the controlled transactions carried out by it with the persons No. 1, No. 2., No. 3, No. 4 in the relevant reporting year.