

Transfer Pricing Services

New challenges
New approaches



Transfer Pricing Services

- ✓ Are you part of a group of companies?
- ✓ Do you carry out transactions with other companies in your group?
- ✓ Do you want to be compliant with local transfer pricing documentation rules?
- ✓ Are you looking for opportunities to restructure your business operations in a tax efficient manner?

If yes, then transfer pricing is of interest to you.

Why is transfer pricing a must on your agenda?

- Lower state budget revenues caused by recent amendments to the tax legislation represent an incentive for tax authorities to perceive transfer pricing as an easy target to produce large increases in tax revenues;
- Current international tax challenges (e.g. the release of OECD Base erosion and profit shifting Action Plan) are a sign of international concern over transfer pricing issues - consequent reactions are expected to come;
- Transfer pricing has become one of the most frequent and disputed areas of tax investigation;
- Transfer pricing adjustments is the most frequent trigger of economic double taxation;
- Transfer prices affects not only your tax position, but also your key performance indicators, cash flow and business strategy;
- A number of transfer pricing audits have resulted in significant adjustments of the local taxable result and entailed material additional profit tax liabilities and related late-payment interest and penalties.

What are the local transfer pricing regulations?

- Both cross-border and domestic transactions between related parties must be carried out at arm's length;
- Taxpayers engaged in related party transactions have to prepare a local transfer pricing documentation file and present it at the tax authorities' request during a tax audit;
- The content of this file is in line with the Code of Conduct on transfer pricing documentation in the European Union;
- The deadline for presenting the transfer pricing documentation file to the tax authorities cannot exceed three calendar months following a written request, with the possibility of a single extension by a period equal to the term initially granted;
- The documentation needs to be presented in Romanian language.

According to ANAF Strategy for Fiscal Administration for 2012-2016, in order to prevent international fraud, TP audits will be intensified, with priority on loss making taxpayers identified through tax risk assesments.

What are the consequences for non-compliance?

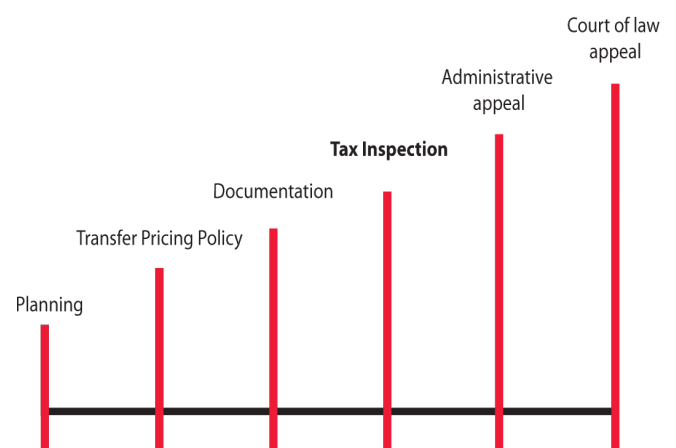
(!) The total amount of additional taxes collected by the tax administration further to transfer pricing inspections in the first quarter of 2015 was of RON 136 million (equivalent to EUR 31 million).

(!) The minimum fine for the failure to present the transfer pricing report is of 12,000 RON (approximately 2,700 EUR).

- If your transfer prices are not set at arm's length, the tax authorities have the right to adjust your revenues and expenses so as to reflect the market value;
- Failure to present the transfer pricing documentation file results in fines and estimation of transfer prices by the tax authorities based on generally available information on similar transactions, as the arithmetic mean of prices of three similar transactions. The same estimation occurs if your transfer pricing file is incomplete;
- The additional taxable profits resulting from this estimation or any transfer pricing adjustments are subject to the general 16% profit tax rate and related late-payment interest and penalties.

What are the benefits of a proactive approach?

- Preparing documentation in advance is the best defence against the potential negative consequences of transfer pricing audits;
- Gaining awareness of exposure areas so as to take corrective measures before a transfer pricing audit starts;
- Advance Pricing Agreements enable you to clear up-front your proposed transfer pricing policy with the Romanian tax authorities;
- A formalised transfer pricing policy facilitates a clear and structured picture of your inter-company transactions, pricing and invoicing mechanism;
- A transfer pricing analysis leads to a better awareness of your supply chain and identification of optimization opportunities.



Let's talk

Tell us what challenges you're facing. We'll work with you to address the transfer pricing issue you are encountering and will consider the solutions and opportunities which are available to you by providing our support as follows:

- ✓ Development and implementation of transfer pricing policies properly aligned to your business model;
- ✓ Assistance in the preparation of Advance Pricing Agreement requests and during the negotiation process;
- ✓ Assistance in assessing the local implications of your proposed group business restructuring;
- ✓ Design of tax efficient business models (including Intellectual Property migration schemes) and assistance in their implementation;
- ✓ Analysis of inter-company agreements in order to identify and address transfer pricing issues;
- ✓ Assistance during transfer pricing audits performed by the tax authorities;
- ✓ Preparation of your local transfer pricing documentation file by leveraging upon any group transfer pricing documentation;

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