



## TAX CONSULTING

## TRANSFER PRICING DOCUMENTATION OBLIGATION

In this information we wish to present to you the most important requirements relating to the transfer pricing administration of related parties.

### WHEN IS TRANSFER PRICE DOCUMENTATION NECESSARY?

If your company is a member of a domestic or international company group, you will most likely have related party (i.e. intra-group) transactions about which you will have to prepare transfer price documentations.

It is a well-known fact that related party transactions not reaching a value of 50 million forints annually are exempt from the obligation to prepare transfer pricing documentation. However, not many are aware that the 50 million forint value limit is to be calculated based on the arm's length price, which means that no documentation has to be prepared for the transactions for which the book value is used as basis and the book value is lower than the market value.

The transfer pricing team of RSM is able to help you, among others, in the identification of the transactions that need to be documented.

### OUR TRANSFER PRICE RELATED SERVICES:

- We assess the related party transactions of the company and determine which of these need to be documented;

- We check the contractual background of transactions and, if possible, compare it to the practice actually applied;
- We identify the assets applied, the functions performed and the risks borne in related party transactions;
- We determine which pricing method is the most suitable for substantiating the arm's length price;
- We prepare the transfer pricing documentations;
- We review the documentations prepared earlier and make suggestions for their amendment within the limits of law;
- We support clients in any other transfer pricing documentation related tasks and answer questions.

### WHEN SHOULD YOU CONSULT AN ADVISOR?

In many cases, Hungarian group members have several years of practice and established internal processes in relation to documentation preparation.

However, an unfavourable market change, unusual situations or extraordinary business events may also occur in these cases (e.g. restructuring within the group) the transfer pricing documentation of which may pose

a challenge for the persons responsible for this matter.

It is good to know that the Hungarian Tax and Customs Authority applies enhanced scrutiny audits in the case of companies, which present:

- long-term losses;
- operating profit/loss below the industry level;

- disproportionately high financial loss relative to the operating profit/loss;
- management fees of substantial amount;
- large-amount year-end adjustments relating to transfer prices.

Our goal is to support our clients to make sure that they avoid transfer pricing related sanctions

## RSM HUNGARY TAX AND FINANCIAL ADVISORY SERVICES PLC.

Accounting, tax consulting, payroll, digital solutions – these are the pillars of RSM Hungary Plc.

Thanks to the outstanding quality we deliver our company is now acknowledged as one of the dominant market players of the Hungarian consulting community. In order to provide our clients with full range of financial consulting services RSM Audit Plc.'s services complement the activities of RSM Hungary Plc., and the legal representation and consultation services are provided by RSM Legal Szűcs & Partners Attorneys-at-law.

In addition to medium-sized Hungarian enterprises, foreign-owned multinational companies also represent a significant part of our client portfolio.

### FOR FURTHER INFORMATION PLEASE CONTACT:

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### OUR SERVICES

- Outsourced accounting and bookkeeping
- Cloud based document management
- BPO
- Tax services
- Customs, excise and product tax advisory services
- M&A, Valuation, Corporate finance
- Legal services
- VAT, Tax and Fiscal representation
- Payroll
- Audit
- Digital solutions

### ABOUT RSM NETWORK

We are members of the RSM network, the sixth largest network of independent audit, tax and advisory firms in the world.

More information about RSM Network, please visit [www.rsmi.com](http://www.rsmi.com).