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# INTERNATIONAL COMPARISON 2025

Newsletter March



## What's in this issue:

### "Transfer Pricing"

Antea International Comparison is a quarterly publication that provides you an overview of trends and international tax developments by comparing tax issues in different legislations around the world, that may affect those doing business in multiple locations.

Constant legislative, regulatory, and judicial changes, along with globalization, economic shifts, and operational adjustments, are challenging issues. Now more than ever, in an increasingly globalized world, companies must have a total perspective and

awareness of tax issues, and this publication aims to cover key tax topics which should be of interest to businesses operating internationally.

This edition includes numerous country focus pieces, in which it is analyzed the Transfer Pricing, and how different jurisdictions approach these regulations and highlight the main differences and common points.

We hope that you find this publication helpful.

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## AUSTRIA

<p>Overview of Transfer Pricing Regulations in AUSTRIA</p>	<p>Transfer pricing in Austria is based on Article 6 lit 6 <b>Income Tax Act</b>. These provision ensures that transactions between related entities follow the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance. Furthermore Article 7 and 9 OECD MC form the legal basis.  <b>The Austrian Transfer Pricing Guidelines 2021 (VPR 2021) and the OECD Transfer Pricing Guidelines 2022 (OECD-VPL) provide guidance on the determination of transfer prices in accordance with the arm's length principle.</b>  <b>They serve as an interpretative aid for the applying the arm's length principle in practice.</b>  <b>For transfer pricing documentation purposes, compaynies must also comply with the Transfer Pricing Documentation Act (VPDG) and its Implementation Ordinance (VPDG-DV).</b></p>
<p>Whether aligned with BEPS?</p>	<p>Austria's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p>Scope and Applicability of Transfer Pricing Regulations</p>	<p><b>Companies &amp; Businesses:</b>  <b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.  <b>Foreign companies</b> with Austrian subsidiaries or permanent establishments.</p>
<p>Transactions Covered</p>	<p>Sale &amp; Purchase of Goods &amp; Services  Royalty, License Fees, or IP Transactions  Intercompany Loans &amp; Guarantees  Cost Sharing Agreements  Management &amp; Consultancy Fees  R&amp;D and Intra-Group Services</p>
<p>Legal Definition of Related Parties Under Transfer Pricing Regulations</p>	<p>In Austria, "<b>Related Parties</b>" for transfer pricing purposes are defined as Associated Enterprises (AEs).  Two enterprises are considered <b>related parties</b> if any of the following conditions are met:  <b>A company is considered affiliated if the corporation holds a direct or indirect interest of at least 25 % in its capital or voting rights or is entitled to at least 25 % of ist profits.</b>  <b>Affiliated companies also include entities in which legal entities, natural persons or associations of persons hold an interest under the conditions outlined above.</b></p>
<p>Recognized Transfer Pricing Methods and Data Requirements</p>	<p>As outlined in the Transferpricing Guidelines Austria recognizes five acceptable methods:  <b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.  <b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.  <b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.  <b>4. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.  <b>5. Transactional Profit Split Method (TPSM)</b> - Splits profits based on functionals analyses of the contributions of the companies involved.  <b>In individual cases, other methods may also be applied, provided they comply with the arm's length principle and prove to be more appropriate than the methods recognized by the OECD.</b>  <b>No legal priority for one method but tax authority favours CUP</b></p>

<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> - Financial data and margins.  <b>Databases:</b> e.g. Bloomberg, Thomson Reuters.</p>								
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> - High-risk cases, companies with persistent losses, inconsistent profit margins etc. are flagged.  <b>Documentation Review</b> - Authorities check documentation  <b>Examination</b> - Tax authority verifies TP Method, function and risks analyses, Arm's Length Price (ALP).  <b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted, penalties might be assessed.  <b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="483 472 1899 659"> <thead> <tr> <th data-bbox="483 472 1191 512">Violation</th> <th data-bbox="1191 472 1899 512">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 512 1191 552">Non-filing or incorrect filing of CbCR</td> <td data-bbox="1191 512 1899 552">EUR 50.000</td> </tr> <tr> <td data-bbox="483 552 1191 619">failure to submit the designation of the responsible entity for filing the CbCR</td> <td data-bbox="1191 552 1899 619">EUR 5.000</td> </tr> <tr> <td data-bbox="483 619 1191 659">tax fraud</td> <td data-bbox="1191 619 1899 659">up to 200% of tax due</td> </tr> </tbody> </table>	Violation	Penalty	Non-filing or incorrect filing of CbCR	EUR 50.000	failure to submit the designation of the responsible entity for filing the CbCR	EUR 5.000	tax fraud	up to 200% of tax due
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<b>Reporting Deadlines and Compliance Timelines</b>	<p>Enterprises with an annual turnover of 50 million or more have to prepare a transfer pricing documentation following the VPDG  <b>Master and Local file</b> have to be transmitted to the tax authority within 30 days after request by the tax authority  <b>Multinational Enterprises (MNEs)</b> with an annual turnover of 750 Mio EUR have to prepare a Contry-by-Country Report  <b>CbCR</b> : 12 months after the end of the financial year  Smaller companies have to be aware that they must proof their transfer pricing adheres to the arm's length principle. Therefore, a simplified documentation is recommended.</p>								
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Austria follows the OECD Guidelines  There are no Safe Harbour Rules in Austria  Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.</p>								

## COLOMBIA

<p><b>Overview of Transfer Pricing Regulations in COLOMBIA</b></p>	<p>Transfer pricing in Colombia is governed by <b>Sections II Chapter 1 of Tax Law 1625 / 2016</b>. These provisions ensure that transactions between related entities follow the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p> <p><b>Key Law sections:</b>  <b>Section 1.2.2.1.1.:</b> Requires related-party transactions to be at arm's length.  <b>Section 1.2.2.1.2:</b> Define the criteria for those obligated  <b>Chapter 2:</b> Mandate documentation - <b>Local File</b>  <b>Section 3:</b> Mandate documentation - <b>Master File</b>  <b>Section 3:</b> Mandate documentation - <b>Country by Country</b>  <b>Chapter 3:</b> TP Declaration - <b>Content</b>  <b>Chapter 4:</b> Advance Pricing arrangements</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Colombia's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies &amp; Businesses:</b>  <b>Total assets greater than USD\$1.2 million or gross revenues greater than USD\$740 and financing transactions greater than USD\$2.2 million</b>  <b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.  <b>Foreign companies</b> with Colombian subsidiaries or permanent establishments.</p>
<p><b>Transactions Covered</b></p>	<p>Sale &amp; Purchase of Goods &amp; Services  Royalty, License Fees, or IP Transactions  Intercompany Loans &amp; Guarantees  Cost Sharing Agreements  Management &amp; Consultancy Fees  R&amp;D and Intra-Group Services  Other Income and Expenses operations</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>In Colombia, "<b>Related Parties</b>" for transfer pricing purposes are defined as <b>Associated Enterprises (AEs)</b> under <b>Sections II Chapter 1 of Tax Law 1625 / 2016 article 1.2.2.1.1</b>.</p> <p>Two enterprises are considered <b>related parties</b> if any of the following conditions are met:  <b>Ownership:</b> One enterprise holds <b>50% or more</b> of profits of a company.  <b>Control:</b> One enterprise directly or indirectly controls the other.  <b>Common Ownership:</b> A third entity owns <b>50% or more</b> in both enterprises.  <b>Supply Dependence:</b> One enterprise depends on another for <b>90% or more</b> of its raw materials or sales.  <b>Management Influence:</b> More than <b>50% of directors or executive personnel</b> are appointed by the other enterprise.</p> <p>When there are consortiums, temporary unions, temporary joint ventures, or other forms of association, when these enter into transactions with related parties of any of the members, in relation to the purpose of the consortium.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per <b>TAX Statute</b>, Colombia allows five methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> </ol>																													
<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> - Financial data and margins.  <b>Databases:</b> Capital IQ S&amp;P, Bloomberg, Thomson Reuters.</p>																													
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> - High-risk or high-value cases flagged.  <b>Documentation Review</b> - Authorities check Informative Declaration, Local File, Master File, and comparability analysis.  <b>TPO Examination</b> - Transfer Pricing Officer (TPO) verifies Arm's Length Price (ALP).  <b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted.  <b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="483 703 2112 1302"> <thead> <tr> <th data-bbox="483 703 1296 743">Violation</th> <th data-bbox="1296 703 2112 743">Penalty</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="483 743 2112 791" style="text-align: center;"><b>Supporting documents</b></td> </tr> <tr> <td data-bbox="483 791 1296 831" rowspan="2">No documentation</td> <td data-bbox="1296 791 2112 831">4% of transaction value</td> </tr> <tr> <td data-bbox="1296 831 2112 871">6% of transaction value if it is with Tax Haven</td> </tr> <tr> <td data-bbox="483 871 1296 903">Extemporaneity</td> <td data-bbox="1296 871 2112 903">0,05% of transaction value befor 5 days to due date and 0,2% agter that</td> </tr> <tr> <td data-bbox="483 903 1296 935">Misreporting</td> <td data-bbox="1296 903 2112 935">1% of transaction value</td> </tr> <tr> <td data-bbox="483 935 1296 975" rowspan="2">Omission</td> <td data-bbox="1296 935 2112 975">2% of transaction value</td> </tr> <tr> <td data-bbox="1296 975 2112 1015">4% of transaction value if it is with Tax Haven</td> </tr> <tr> <td data-bbox="483 1015 1296 1046">Correction of documentation</td> <td data-bbox="1296 1015 2112 1046">1% of transaction value</td> </tr> <tr> <td colspan="2" data-bbox="483 1046 2112 1094" style="text-align: center;"><b>Informative Form</b></td> </tr> <tr> <td data-bbox="483 1094 1296 1126">Extemporaneity</td> <td data-bbox="1296 1094 2112 1126">0,02% of transaction value befor 5 days to due date and 0,1% agter that</td> </tr> <tr> <td data-bbox="483 1126 1296 1166" rowspan="2">Inconsistencies</td> <td data-bbox="1296 1126 2112 1166">0,6% of transaction value if it is with Tax Haven</td> </tr> <tr> <td data-bbox="1296 1166 2112 1206">1,3% of transaction value</td> </tr> <tr> <td data-bbox="483 1206 1296 1238">Omission</td> <td data-bbox="1296 1206 2112 1238">2,6% of transaction value if it is with Tax Haven</td> </tr> <tr> <td data-bbox="483 1238 1296 1270">Not submit</td> <td data-bbox="1296 1238 2112 1270">4% of transaction value</td> </tr> <tr> <td data-bbox="483 1270 1296 1302">Misreporting</td> <td data-bbox="1296 1270 2112 1302">200% of tax due</td> </tr> </tbody> </table>	Violation	Penalty	<b>Supporting documents</b>		No documentation	4% of transaction value	6% of transaction value if it is with Tax Haven	Extemporaneity	0,05% of transaction value befor 5 days to due date and 0,2% agter that	Misreporting	1% of transaction value	Omission	2% of transaction value	4% of transaction value if it is with Tax Haven	Correction of documentation	1% of transaction value	<b>Informative Form</b>		Extemporaneity	0,02% of transaction value befor 5 days to due date and 0,1% agter that	Inconsistencies	0,6% of transaction value if it is with Tax Haven	1,3% of transaction value	Omission	2,6% of transaction value if it is with Tax Haven	Not submit	4% of transaction value	Misreporting	200% of tax due
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Reporting Deadlines and Compliance Timelines	The dates are defined annually by the tax administration, however, in general they are the local and master file and informative form for September and the country-by-country report when applicable in December.
Key Distinctions and Unique Aspects of Transfer Pricing Regulations	<p>Colombia does not apply transfer pricing rules to <b>domestic transactions</b></p> <p>Colombia has a <b>strict tax enforcement approach</b>, with frequent Transfer Pricing Officer (TPO) audits and large tax adjustments.</p> <p><b>Safe Harbour Rules (SHR):</b> Predefined profit margins for certain industries (IT, BPO, R&amp;D, etc.) to reduce disputes.</p> <p><b>Three-Tiered Documentation:</b> Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.</p>



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## CYPRUS

<p><b>Overview of Transfer Pricing Regulations in Cyprus</b></p>	<p>Cyprus has implemented formal Transfer Pricing (TP) regulations in line with OECD guidelines and BEPS Action 13. These regulations took effect on 1 January 2022, replacing previous rules applicable only to back-to-back financing arrangements. The new TP framework introduces mandatory documentation requirements for related-party transactions, ensuring compliance with the arm's length principle. Further in July 2023, the Cyprus tax department issued a Circular with effect as of 1/1/2022 relating to related-party transactions that do not meet the threshold of the main legislation.</p> <p><b>Key Law sections:</b></p> <p>Income Tax Law N.118(I)/2022 as amended - Article 33</p> <p>Cyprus Tax Department Circular 06/2023</p> <p>Cyprus Tax Department Circular 07/2023 (for financing transactions)</p> <p>In addition to the legislation and circular the Cyprus tax department has also an FAQ (which is updated whenever necessary) with clarifications relating to Transfer Pricing</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Cyprus has significantly aligned its Transfer Pricing (TP) legislation and tax circulars with the OECD Transfer Pricing Guidelines and the Base Erosion and Profit Shifting (BEPS) Action Plan, particularly BEPS Action 13. However, there are also some deviations and local adaptations that businesses should be aware of.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p>Cyprus TP rules apply to all transactions between related parties, including:</p> <ul style="list-style-type: none"> <li>Cypriot tax residents (individuals or entities).</li> <li>Cypriot permanent establishments (PEs) of non-residents.</li> </ul> <p>The rules cover all controlled transactions, including cross-border and domestic transactions. They apply irrespective of the legal form of the transaction. Even though the main legislation refers to a threshold of €750.000 for the requirement of a preparation of local file, on 1 February 2024 the Cyprus tax department issued an announcement whereby the threshold was increased to €5 million for financing transactions and €1 million for all other controlled transactions to avoid unnecessary administrative burdens of businesses. This letter was with a retrospective effect from tax year 2022 and will continue to be in effect until a final decision is made and the relevant tax framework is formalized.</p> <p>For controlled transactions which do not meet the threshold, a Circular is in place whereby they have the option to either prepare a simplified TP or apply 'the simplification measures' mentioned in the Circular. Use of these simplification measures may trigger DAC6 reporting under Hallmark 1</p>
<p><b>Transactions Covered</b></p>	<p>Cyprus TP rules cover all commercial and financial transactions between related parties, including:</p> <ol style="list-style-type: none"> <li>1. Sale and purchase of goods.</li> <li>2. Provision and receipt of services.</li> <li>3. Intellectual property (IP) transactions.</li> <li>4. Financing transactions</li> <li>5. Cost-sharing agreements</li> <li>6. Any controlled transactions not explicitly listed above</li> </ol>

<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>Related parties is defined to identify entities or individuals whose relationship may influence the terms and conditions of their commercial and financial transactions.</p> <p>The key criteria for determining related parties include:</p> <ol style="list-style-type: none"> <li>1. Direct or indirect participation: an entity or individual holds, directly or indirectly, at least 25% of the voting rights, share capital, or is entitled to at least 25% of the income of another entity.</li> <li>2. Common control: The same person or a group of persons connected to each other holds, directly or indirectly, at least 25% of the voting rights, share capital, or is entitled to at least 25% of the income in two or more entities.</li> <li>3. Acting in concert: Two or more persons act together to secure, directly or indirectly, at least 25% of the voting rights, share capital, or the right to at least 25% of the income of an entity.</li> </ol>
<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p>As of the 2023 tax year, the Comparable Uncontrolled Price (CUP) method is the only accepted transfer pricing method for financing transactions by the Cyprus Tax Department. The use of any alternative transfer pricing method is permitted only in exceptional circumstances and requires prior approval from the tax authorities through a formal tax ruling.</p> <p>For other controlled transactions, in line with OECD guidelines, all TP methods are accepted:</p> <p>Comparable Uncontrolled Price (CUP) Method  Resale Price Method (RPM)  Cost Plus Method  Transactional Net Margin Method (TNMM)  Profit Split Method</p>



<p><b>Data Used</b></p>	<p>Cyprus TP compliance requires:  Industry and functional analysis of transactions.  Comparable data from databases  Financial data of group entities.  Contracts and agreements between related parties.  Benchmarking studies to support pricing.  Benchmarking studies must be updated every three years unless there is a material change in circumstances.  The tax authorities expect robust documentation to justify related-party pricing.</p>
<p><b>Transfer Pricing Audit Process and Penalties</b></p>	<p><b>Audits:</b> The Cyprus Tax Department actively monitors compliance through audits. During an audit, taxpayers must provide the required TP documentation within 60 days of a request. Failure to comply can lead to the penalties outlined</p> <p><b>Penalties:</b></p> <p><b>Local/master file failure to submit upon request:</b></p> <ul style="list-style-type: none"> <li>• 61 to 90 days late: €5.000 penalty.</li> <li>• 91 to 120 days late: €10.000 penalty.</li> <li>• More than 120 days late: €20.000 penalty.</li> </ul> <p><b>Summary information table:</b> €500 penalty for late submission of the table.</p> <p><b>CbCR:</b> Non-compliance can result in penalties up to €10.000 for the report and €5.000 for the notification, with potential increases up to €20.000 under certain circumstances.</p>
<p><b>Reporting Deadlines and Compliance Timelines</b></p>	<p><b>Local File &amp; Master File:</b> Due by the tax return submission deadline (31 March of the following year). These are only submitted if requested by the tax department</p> <p><b>Summary information table:</b> Due by the tax return submission deadline (31 March of the following year). For tax years 2022 and 2023 an extension has been given as it was the first year of application. This is a table submitted to the tax department listing all related party transactions (irrespective of amount) and stating whether such transactions are at arm's length.</p> <p><b>Country-by-Country Reporting (CbCR):</b></p> <p>Notification deadline: <b>Last day of the financial year.</b></p> <p>Submission deadline: <b>12 months after the financial year-end.</b></p> <p>Taxpayers must <b>retain documentation for 6 years</b> for potential audits.</p>

**Key Distinctions and Unique Aspects of Transfer Pricing Regulations**

Lower Related-Party Threshold (25%)

Higher documentation thresholds (€5M & €1M) provide exemptions not seen in OECD recommendations.

Strict CUP preference for financing transactions. Pre-approval from tax department is required for use of other method.

Simplified transfer pricing or use of simplification measures for related party transactions below thresholds (this is a local adaptation)

Use of simplification measures may trigger Hallmark 1 for DAC6 reporting

Submission of summary information table with all related party transactions to the tax department



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## EGYPT

<b>Overview of Transfer Pricing Regulations in EGYPT</b>	<p>Transfer pricing in India is governed by <b>Article 30 of the Income Tax Law no.91 for 2005</b>. These provisions ensure that transactions between related entities follow the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p> <p><b>Key Law sections:</b>            First TP guidelines introduced in 2010            Subsequently updated in October 2018</p>
<b>Whether aligned with BEPS?</b>	<p>Egypt's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b> and <b>BEPS 3 Tier documentation requirements</b></p>
<b>Scope and Applicability of Transfer Pricing Regulations</b>	<p><b>Companies &amp; Businesses:</b>  <b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.  <b>Foreign companies</b> with Indian subsidiaries or permanent establishments.</p>
<b>Transactions Covered</b>	<p><b>Transactions over EGP15m shall be studied for Transfer Pricing if between Associated Entities AEs):</b>  <b>Tangible goods</b> - Sale &amp; Purchase of Goods &amp; Services  <b>Intangible goods</b> - Trademarks, Royalty, License Fees, or IP Transactions, R&amp;D  <b>Services</b> - IT Services, after sales services, Management &amp; Consultancy Fees            Interest on loans, guarantee commissions, Cost Sharing Agreements and Intra-Group Services</p>
<b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b>	<p>In Egypt, "<b>Related Parties</b>" for transfer pricing purposes are defined as <b>Associated Enterprises (AEs)</b> as follows:            Two enterprises are considered <b>related parties</b> if any of the following conditions are met:  <b>Wife, husband, descendants and ascendants;</b>  <b>Ownership:</b> One enterprise holds 50% or more voting power in another.  <b>Control:</b> One enterprise directly or indirectly controls the other.  <b>Partners, active partners, and silent partners</b>  <b>Any two or more enterprises of which another person holds at least 50% of the number or value of shares or voting rights</b>            These provisions ensure that related-party transactions comply with the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p>
<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per OECD guidelines, Egypt allows six methods:</p> <ol style="list-style-type: none"> <li>1. <b>Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li>2. <b>Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li>3. <b>Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li>4. <b>Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li>5. <b>Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li>6. <b>Other Method (Rule 10AB)</b> - Any reliable alternative approach.</li> </ol>

Data Used	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.</p> <p><b>Industry Benchmarking Reports</b> - Financial data and margins.</p> <p><b>Databases:</b> Prowess, Capitaline, Bloomberg, Thomson Reuters.</p>										
Transfer Pricing Audit Process and Penalties	<p><b>Transfer Pricing Audit Process</b></p> <p><b>Selection for Audit</b> - High-risk or high-value cases flagged.</p> <p><b>Documentation Review</b> - Authorities check Local File, Master File, and comparability analysis.</p> <p><b>TPO Examination</b> - Transfer Pricing Officer (TPO) verifies Arm's Length Price (ALP).</p> <p><b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted.</p> <p><b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="483 531 2112 730"> <thead> <tr> <th data-bbox="483 531 1299 571">Violation</th> <th data-bbox="1299 531 2112 571">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 571 1299 611">No disclosure to the transaction in Corporate Tax Return (CTR)</td> <td data-bbox="1299 571 2112 611">1% of transaction value</td> </tr> <tr> <td data-bbox="483 611 1299 651">Non-filing of Local File, Master File, CbCR</td> <td data-bbox="1299 611 2112 651">within 60 days, Penalty of avg. EGP3-50k, plus 3% of transaction value</td> </tr> <tr> <td data-bbox="483 651 1299 691">Incorrect pricing adjustments</td> <td data-bbox="1299 651 2112 691">2% over corridor interest rate by CBE of extra tax due</td> </tr> <tr> <td data-bbox="483 691 1299 730">Recurring non-compliance</td> <td data-bbox="1299 691 2112 730">Three times of above penalties</td> </tr> </tbody> </table>	Violation	Penalty	No disclosure to the transaction in Corporate Tax Return (CTR)	1% of transaction value	Non-filing of Local File, Master File, CbCR	within 60 days, Penalty of avg. EGP3-50k, plus 3% of transaction value	Incorrect pricing adjustments	2% over corridor interest rate by CBE of extra tax due	Recurring non-compliance	Three times of above penalties
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Reporting Deadlines and Compliance Timelines	<p><b>Local File: June 30</b> . Within Two months of the CTR submission due date (Original CTR due by 30 April)</p> <p><b>Master File: 30 April</b> To be prepared in accordance to the group's ultimate parent tax return filing due date since it relates to the group as a whole.</p> <p><b>CbCR: 31 December.</b> To be submitted only by the Egyptian parent companies within 12 months of the close of consolidated FS of the group's Associated Enterprise fiscal year</p> <p>Notification to be provided to Egyptian Tax Authority (ETA) if Egyptian entity is not the ultimate parent of the group.</p>										
Key Distinctions and Unique Aspects of Transfer Pricing Regulations	<p>Egypt applies transfer pricing rules to <b>domestic transactions</b> exceeding EGP 15m, unlike many countries that focus only on international transactions.</p> <p>Egyptian Tax guidelines, allowing any <b>commercially justifiable method</b> if it provides a better Arm's Length Price (ALP).</p> <p><b>Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.</b></p>										



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## GERMANY

<p><b>Overview of Transfer Pricing Regulations in GERMANY</b></p>	<p>Transfer pricing in Germany is governed by §§ 1 ff AStG. These provisions ensure that transactions between related entities follow the Arm's Length Principle to prevent tax avoidance.</p> <p><b>Key Law sections:</b></p> <ul style="list-style-type: none"> <li>• <b>1 I AStG:</b> Requires related-party transactions to be at arm's length.</li> <li>• <b>1 II AStG:</b> Defines Related Parties</li> <li>• <b>90 III AO:</b> Stipulates, which MNEs have to prepare Transfer Pricing Documentation and what elements need to be included in such Documentation</li> </ul> <p>GAufzV: Further elaborates on Documentation requirements as determined by § 90 AO</p> <p>FVerlV: Guidance on the valuation of the transfer of functions</p> <p>Wide variety of circulars by the German Fiscal Authorities, which are not binding for tax payers. However, as these circulars are binding for the Fiscal Authorities, tax payers are advised to consider the stipulations made therein.</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Germany's regulations align with OECD Guidelines to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p>1 I AStG determines, that transfer pricing regulations apply to those, who are liable for taxes in Germany (Steuerpflichtige) AND have entered into cross-border transactions with Related Parties. Transactions within the meaning of AStG also include dealings between a domestic Entity and its foreign branch (and vice versa)</p>
<p><b>Transactions Covered</b></p>	<p>All transactions between Related Parties are subject to Transfer Pricing Regulations.</p> <p>Dealings between foreign Permanent Establishments and domestic Parents (and vice versa) are also covered by Transfer Pricing Regulations.</p> <p>In more recent years, financial transactions have been increasingly under scrutiny by German Tax Authorities.</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>Related Parties within the meaning of German transfer pricing regulations include the following:</p> <p><b>Significant Ownership:</b> One party owns at least 25% of shares (or comparable, e.g. voting rights) in the other party</p> <p>Rights in case of profits / liquidation: One party has the right to at least 25% of the other party's profits; in case of liquidation, that first party has the right to at least 25% of liquidation profits (so-called "silent shareholders")</p> <p><b>Significant Influence:</b> One party is in a position, where it may influence the other party's decisions to a significant degree. That position of significant influence may be of actual, legal nature or a result of circumstances.</p> <p><b>Common Control:</b> Both parties to a transaction are controlled, owned, etc. by a common third party.</p> <p>The above instances represent the most common cases of Related Parties, however, in recent years, lawmakers have increasingly broadened the definition of what may constitute Related Parties. Thereby a number of catch-all norms were introduced. As a consequence, taxpayers are advised to carefully review all circumstances, that may lead to a degree of control of one party over transfer pricing.</p>

<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p>While in more recent years, the German tax authorities have increasingly accepted a wider variety of transfer pricing methods, the following hierarchy of methods is still prevalent</p> <ol style="list-style-type: none"> <li>1. Comparable Uncontrolled Price Method - CUP</li> <li>2. Transaction Based Standard Methods <ul style="list-style-type: none"> <li>• Cost Plus Method</li> <li>• Resale Price Method</li> </ul> </li> <li>3. Transaction Based Profit Methods <ul style="list-style-type: none"> <li>• Transactional Net Margin Method - TNMM</li> <li>• Profit Split Method - PSM</li> </ul> </li> </ol> <p>German tax authorities do not accept non-transaction based methods, i.e. the Comparable Profits Method, that is widely used in other parts of the world, cannot be applied</p>
<p><b>Databases</b></p>	<p>Internal and External Comparables are accepted.</p> <p>In terms of external sources, German tax authorities are very familiar with benchmarking analyses conducted by using databases such as AMADEUS by Bureau van Dijk. In addition, German tax authorities reference reports by the European Joint Transfer Pricing Forum for external comparables.</p>



<b>Transfer Pricing Audit Process and Penalties</b>	<p>Transfer Pricing Documentation for <b>ordinary</b> transactions within the operating course of business consists of three elements:</p> <ol style="list-style-type: none"> <li>1. Transaction Matrix</li> <li>2. Local File</li> <li>3. Master File (only for multinational groups with revenue of at least 100 mio EUR)</li> </ol> <p>In addition, transfer pricing documentation for extraordinary transactions has to be prepared in a timely manner.</p> <p>Transfer Pricing documentation may be requested at all times and has to be provided upon request within 30 days. In case of a tax audit, the transaction matrix, the master file, and documentation on <b>extraordinary</b> transactions have to be provided to the auditor without further request within 30 days after the audit was announced.</p> <p>While there are no tax audits specifically conducted for transfer pricing,</p> <p><b>Penalties for Non-Compliance</b></p> <p><b>No (adequate) documentation is provided:</b></p> <ul style="list-style-type: none"> <li>• Tax authorities may increase taxable income by an amount that they deem appropriate.</li> <li>• 5 - 10% of the increase in taxable income shall be imposed as a penalty for not providing transfer pricing documentation (at least 5.000 EUR)</li> </ul> <p><b>Late provision of documentation:</b></p> <ul style="list-style-type: none"> <li>• at least 100 EUR / day for each day of late submission</li> <li>• penalty for late submission is capped at 1 mio EUR</li> </ul>
<b>Reporting Deadlines and Compliance Timelines</b>	<p>Multinational Groups exceeding 750 mio EUR in revenue have to submit a Country-by-Country Reporting within one year after the end of a respective financial year, § 138a AO.</p> <p>For transfer pricing documentation, no filing requirements exist. Nonetheless, taxpayers should keep documentation on hand and up to date at all times, as tax authorities may request transfer pricing documentation at any time. Taxpayers then have to submit that documentation within 30 days.</p>
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Transaction matrices, which are typically included in Local Files, are considered a separate element of documentation, that can be requested in separate from the Local File.</p> <p>References to comparables as reported by the European Joint Transfer Pricing Forum are generally accepted as external comparables.</p>



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## GREECE

<p><b>Overview of Transfer Pricing Regulations in GREECE</b></p>	<p>Transfer pricing in Greece is governed by the Income Tax Code (L.4172/2013), as well as some Decision POLs (Multi-written Ministerial Circulars). The most significant are POL.1142/2015, POL.1097/2014 and POL.1252/2015. These provisions ensure that transactions between related entities follow the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p> <p>Key Law sections:</p> <p><b>L.4172/2013: Defines the Greek definition of related parties.</b></p> <p><b>POL.1142/2015:</b> Specifies the transfer pricing documentation that a taxpayer should prepare (Master File, Local File, Country By Country Report, Summary Information Table).</p> <p><b>POL.1097/2014:</b> Specifies the transfer pricing methods that should be used in respect of transactions between related parties.</p> <p><b>POL.1252/2015:</b> Specifies penalties in cases of late filing or failure to file or inaccurate/incomplete filings of the Summary Information Table or the TP Documentation File</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Greece's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies &amp; Businesses:</b></p> <p><b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.</p> <p><b>Foreign companies</b> with Greek subsidiaries or permanent establishments.</p>
<p><b>Transactions Covered</b></p>	<p>Sale &amp; Purchase of Goods &amp; Services</p> <p>Royalty, License Fees, or IP Transactions</p> <p>Intercompany Loans &amp; Guarantees</p> <p>Cost Sharing Agreements</p> <p>Management &amp; Consultancy Fees</p> <p>R&amp;D and Intra-Group Services</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>In Greece, "<b>Related Parties</b>" for transfer pricing purposes are defined under <b>Section G Article 2 of the Income Tax Code (L.4172/2013)</b></p> <p>Two enterprises are considered <b>related parties</b> if any of the following conditions are met:</p> <p><b>Ownership:</b> One enterprise holds <b>33% or more</b> voting power in another.</p> <p><b>Control:</b> One enterprise directly or indirectly controls the other.</p> <p><b>Common Ownership:</b> A third entity owns <b>33% or more</b> in both enterprises.</p> <p><b>Supply Dependence:</b> One enterprise depends on another for <b>90% or more</b> of its raw materials or sales.</p> <p><b>Management Influence:</b> More than <b>50% of directors or executive personnel</b> are appointed by the other enterprise.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p>

<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p>As per POL.1097/2014, Greece allows six methods:</p> <ol style="list-style-type: none"> <li>1. <b>Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li>2. <b>Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li>3. <b>Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li>4. <b>Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li>5. <b>Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li>6. <b>Other Method</b> - Any reliable alternative approach.</li> </ol>
<p><b>Data Used</b></p>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.</p> <p><b>Industry Benchmarking Reports</b> - Financial data and margins.</p> <p><b>Databases:</b> Amadeus, Bloomberg, Thomson Reuters.</p>



**Transfer Pricing Audit Process and Penalties**

**Transfer Pricing Audit Process**

**Selection for Audit** - High-risk or high-value cases flagged.

**Documentation Review** - Authorities check Form Local File, Summary Information Table, Master File, and comparability analysis.

**TPO Examination** - Transfer Pricing Officer (TPO) verifies Arm's Length Price (ALP).

**Adjustments** - If pricing is incorrect, taxable income is adjusted.

**Penalties for Non-Compliance**

Violation	Penalty
Late filling or failure to file or inaccurate/incomplete filing (Summary Information Table, Transfer Pricing Local File)	1/1000 of the transactions of the taxable person for which there was an obligation for documentation. This fine may not be lower than EUR 500 nor higher than EUR 2,000.
Late filing of an amending Summary Information Table	Fine shall be imposed only if there are changes in the amounts of the transactions, and the overall differences are above EUR two hundred thousand (200,000).
Inaccurate filing of the Summary Information Table	Fine shall be calculated based on the amounts related to the inaccuracy, and shall be imposed only if such inaccuracy is higher than 10% of the overall transactions for which there was an obligation for documentation.
The Summary Information Table is not filed	Fine shall be imposed amounting to one thousandth (1/1000) of the transactions for which there was an obligation for documentation, which may not be lower than EUR 2,500 nor higher than EUR 10,000.
The TP Documentation File is made available to the Tax Administration from the thirty-first (31st) day from the notification of a relevant invitation until the sixtieth (60st) day	Fine equal to five thousand (5,000) euro shall be imposed.
If it is made available from the sixty-first (61st) day until the ninetyth (90th) day	Fine equal to EUR ten thousand (10,000) shall be imposed.
If it is not made available at all or if it is made available after the ninetyth (90th) day	Fine equal to twenty thousand EUR (20,000) shall be imposed.
Regarding Country-by-Country Reporting, in case of not filing	Fine shall be imposed amounting to EUR 20,000.
In case of late filing or inaccurate/ incomplete filing of Country-by-Country Report	Fine shall be imposed amounting to EUR 10,000.

<p><b>Reporting Deadlines and Compliance Timelines</b></p>	<p>Transfer Pricing Documentation File is consisting of the Master File and the Greek Documentation File and shall be prepared until the filing deadline for income tax returns.</p> <p>The TP Documentation File shall be accompanied by the Summary Information Table, which shall be submitted electronically to the Tax Administration within the same deadline.</p> <p>TP Documentation File shall be kept at the headquarters of the taxable person throughout the time period, for which there is an obligation to keep the books and records of the respective fiscal year.</p> <p>TP Documentation File shall be made available to the Tax Administration upon request by the latter, within thirty (30) days from serving the relevant request to the taxable person.</p>
<p><b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b></p>	<p>Documentation: Local File, Master File, Summary Information Table and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.</p>



## INDIA

<p><b>Overview of Transfer Pricing Regulations in INDIA</b></p>	<p>Transfer pricing in India is governed by <b>Sections 92 to 92F of the Income Tax Act, 1961 and Rules 10A to 10E of the Income Tax Rules, 1962</b>. These provisions ensure that transactions between related entities follow the Arm’s Length Principle (ALP) to prevent tax avoidance.</p> <p><b>Key Law sections:</b></p> <p><b>Section 92:</b> Requires related-party transactions to be at arm’s length.</p> <p><b>Section 92A &amp; 92B:</b> Define <b>Associated Enterprises (AEs) and international transactions</b>.</p> <p><b>Section 92C:</b> Specifies approved methods for computing ALP.</p> <p><b>Section 92D &amp; 92E:</b> Mandate documentation and filing of <b>Form 3CEB</b> (Chartered Accountant certification).</p> <p><b>Rules 10A to 10THD of the Income Tax Rules, 1962.</b></p>
<p><b>Whether aligned with BEPS?</b></p>	<p>India’s regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies &amp; Businesses:</b></p> <p><b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.</p> <p><b>Foreign companies</b> with Indian subsidiaries or permanent establishments.</p>
<p><b>Transactions Covered</b></p>	<p>Sale &amp; Purchase of Goods &amp; Services          Royalty, License Fees, or IP Transactions          Intercompany Loans &amp; Guarantees          Cost Sharing Agreements          Management &amp; Consultancy Fees          R&amp;D and Intra-Group Services</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>In India, “<b>Related Parties</b>” for transfer pricing purposes are defined as <b>Associated Enterprises (AEs)</b> under <b>Section 92A of the Income Tax Act, 1961</b>.</p> <p>Two enterprises are considered <b>related parties</b> if any of the following conditions are met:</p> <p><b>Ownership:</b> One enterprise holds <b>26% or more</b> voting power in another.</p> <p><b>Control:</b> One enterprise directly or indirectly controls the other.</p> <p><b>Common Ownership:</b> A third entity owns <b>26% or more</b> in both enterprises.</p> <p><b>Debt Financing:</b> One enterprise provides <b>51% or more</b> of the total borrowings of another.</p> <p><b>Supply Dependence:</b> One enterprise depends on another for <b>90% or more</b> of its raw materials or sales.</p> <p><b>Management Influence:</b> More than <b>50% of directors or executive personnel</b> are appointed by the other enterprise.</p> <p><b>Exclusive Agreements:</b> One enterprise is fully dependent on another for technology, patents, or business operations.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm’s Length Principle (ALP)</b> to prevent tax avoidance.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per <b>Section 92C of the Income Tax Act</b>, India allows six methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li><b>6. Other Method (Rule 10AB)</b> - Any reliable alternative approach.</li> </ol>										
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<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> - High-risk or high-value cases flagged.  <b>Documentation Review</b> - Authorities check Form 3CEB, Master File, and comparability analysis.  <b>TPO Examination</b> - Transfer Pricing Officer (TPO) verifies Arm's Length Price (ALP).  <b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted.  <b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="488 711 2112 879"> <thead> <tr> <th>Violation</th> <th>Penalty</th> </tr> </thead> <tbody> <tr> <td>No documentation</td> <td>2% of transaction value</td> </tr> <tr> <td>Non-filing of Form 3CEB</td> <td>INR 100000</td> </tr> <tr> <td>Incorrect pricing adjustments</td> <td>30-50% of extra tax</td> </tr> <tr> <td>Misreporting</td> <td>200% of tax due</td> </tr> </tbody> </table>	Violation	Penalty	No documentation	2% of transaction value	Non-filing of Form 3CEB	INR 100000	Incorrect pricing adjustments	30-50% of extra tax	Misreporting	200% of tax due
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<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>Form 3CEB: November 30</b> (Certified by CA).  <b>Master File (Form 3CEAA):</b> November 30 (If turnover &gt; INR 5 Billion).  <b>CbCR (Form 3CEAD):</b> December 31 (If group revenue &gt; INR 6.400 Billion ).          *Late filing penalties can go up to INR 0.5 million</p>										
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>India applies transfer pricing rules to <b>domestic transactions</b> exceeding INR 0.2 Billion, unlike many countries that focus only on international transactions.          Introduced under <b>Rule 10AB</b>, allowing any <b>commercially justifiable method</b> if it provides a better Arm's Length Price (ALP).          India has a <b>strict tax enforcement approach</b>, with frequent <b>Transfer Pricing Officer (TPO) audits</b> and large tax adjustments.  <b>Safe Harbour Rules (SHR):</b> Predefined profit margins for certain industries (IT, BPO, R&amp;D, etc.) to reduce disputes.  <b>Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR)</b> align with <b>OECD BEPS guidelines</b>.</p>										

## ISRAEL

<b>Overview of Transfer Pricing Regulations in ISRAEL</b>	<p>Transfer pricing in ISRAEL is governed by Section 85A (and recently added Sections 85b and 85c) of the Income Tax Ordinance (New Version), 5721-1961 and the Income Tax Regulations (Determination of Market Conditions), 5767-2006. These provisions ensure that transactions between related entities follow the Arm's Length Principle (ALP) to prevent tax avoidance.</p>
<b>Whether aligned with BEPS?</b>	<p><b>ISRAEL's regulations align with OECD Guidelines to prevent Base Erosion and Profit Shifting (BEPS).</b></p>
<b>Scope and Applicability of Transfer Pricing Regulations</b>	<p><b>Companies, Businesses, and Individuals:</b>  <b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.  <b>Foreign companies with ISRAELI subsidiaries or permanent establishments.</b></p>
<b>Transactions Covered</b>	<p>Sale &amp; Purchase of Goods &amp; Services          Royalty, License Fees, or IP Transactions          Intercompany Loans &amp; Guarantees          Cost Sharing Agreements          Management &amp; Consultancy Fees          Cash Pooling Arrangements          R&amp;D and Intra-Group Services</p>
<b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b>	<p>In ISRAEL, "Special Relationships" for transfer pricing purposes are defined under Section 85A(b) of the Income Tax Ordinance.  <b>"Special relationships"</b>: including relationships between a person and his relative, as well as control of one party to a transaction over the other, or control of one person over the parties to the transaction, directly or indirectly, alone or together with another;  <b>"Control"</b>: A holding, directly or indirectly, of 50% or more in one of the means of control, at least one day during the tax year.  <b>"Relative"</b>: Spouse, brother, sister, parent, parent's parent, descendant, the spouse's descendants and the spouse of any of these.  <b>"Means of control"</b>: in a body of persons - each of the following:          (1) the right to profits;          (2) the right to appoint a Director or General Manager of the company, or holders of similar positions in other bodies of persons;          (3) the right to vote at the company's General Meetings, or in the corresponding body of another body of persons;          (4) the right to a share of the balance of assets after debts have been paid at liquidation;          (5) the right to instruct the holder of one of the rights said in paragraphs (1) to (4) how to exercise that right; all whether by virtue of shares, rights to shares or other rights, or in any other manner, including through voting or trusteeship agreements.  <b>"Together with another"</b>: Together with his relative, and also together with a person who is not his relative, if they regularly - directly or indirectly - cooperate by agreement on matters substantive to the body of persons.          These provisions ensure that related-party transactions comply with the Arm's Length Principle (ALP) to prevent tax avoidance.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per Section 85A of the Income Tax Ordinance, ISRAEL allows six methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li><b>6. Other Method</b> - Any reliable alternative approach.</li> </ol>
<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> - Financial data and margins.  <b>Databases:</b> Orbis, Capital IQ, Eikon, Royalty Databases</p>
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> - High-risk or high-value cases flagged.  <b>Documentation Review</b> - Authorities check Forms 1385, 1585, 1685, CbCR, Master File, and Local File.  <b>TPO Examination</b> - Transfer Pricing Officer (TPO) verifies Arm's Length Price (ALP).  <b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted (to the median result when relevant).  <b>The regulations do not include special penalties for transfer pricing adjustments, although general inflation and interest adjustments apply, as well as secondary adjustments.</b></p>
<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>Forms 1385 and 1585:</b> With the filing of the annual tax return.  <b>CbCR (Form 1685):</b> Filed no later than 12 months after the end of the tax year (if turnover previous year &gt; ILS 3.4 billion)  <b>Master File:</b> Prepared by tax return filing date. Provided to inspector within 30 days of request (if turnover previous year &gt; ILS 150 million).  <b>Local File:</b> Prepared by tax return filing date. Provided to inspector within 30 days of request (no minimum threshold).</p>
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Safe harbor rules apply for marketing, distribution, and low-level service transactions.  Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.  Stock-based compensation must be included in the cost base following supreme court ruling.  The tax authority is especially scrutinous of IP transfer / business restructuring transactions and applies an aggressive approach.</p>



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## ITALY

<p><b>Overview of Transfer Pricing Regulations in ITALY</b></p>	<p>Transfer pricing in ITALY is governed by <b>Art. 110 paragraph 7 of the Income Tax Code, DPR n. 917/1986, Art. 1 paragraph 6 of Legislative Decree n. 471/1997, Ministerial Decree 14 May 2018, Tax Agency Determination November 23, 2020 and Tax Agency Circular n.15/E on November 26,2021.</b> These provisions ensure that transactions between related entities follow the <b>Arm’s Length Principle (ALP)</b> to prevent tax avoidance.</p> <p><b>Key Law sections:</b></p> <p><b>Art. 110 paragraph 7 Income Tax Code:</b> Requires related-party transactions to be at arm’s length.</p> <p><b>Art. 1 paragraph 6 Legislative Decree n. 471/1997:</b> Define the penalties applicable in case of TP tax assessments</p> <p><b>Ministerial Decree 14 May 2018:</b> Specifies approved methods for computing ALP.</p> <p><b>Tax Agency Determination November 23, 2020:</b> Mandate Domestic TP Document</p> <p><b>Tax Agency Circular n.15/E November 26,2021:</b> Explanations on the TP Document and compliance with the arm’s length principle and Italian Law</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Italy’s regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS).</b></p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies &amp; Businesses:</b></p> <p><b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.</p> <p><b>Foreign companies</b> with Italian subsidiaries or permanent establishments.</p>
<p><b>Transactions Covered</b></p>	<p>Controlled transaction are any commercial or financial transaction between associated enterprises, accurately identified on the basis of the contractual terms, or the effective actions of the parties if they diverge from the contractual terms or in the absence of contractuels. Following an example of transactions relevant for the TP documentation:</p> <ul style="list-style-type: none"> <li>Sale &amp; Purchase of Goods &amp; Services</li> <li>Royalty, License Fees, or IP Transactions</li> <li>Intercompany Loans &amp; Guarantees</li> <li>Cost Sharing Agreements</li> <li>Management &amp; Consultancy Fees</li> <li>R&amp;D and Intra-Group Services</li> </ul>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>In Italy, <b>“Related Parties”</b> for transfer pricing purposes are defined as <b>Associated Enterprises (AEs)</b>in accordance with <b>Art. 110 paragraph 7 of Income Tax Code</b></p> <p>The provisions on transfer pricing apply to residents in the territory of the Italian State who carry out transactions likely to generate positive or negative income components with non-resident companies that, directly or indirectly, control them, are controlled by them or are subject to common control.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm’s Length Principle (ALP)</b> to prevent tax avoidance.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per <b>Ministerial Decree 14 May 2018 of the Income Tax Act</b>, Italy allows five methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> </ol> <p>The taxpayer may apply a method other than the methods described above, if it proves that none of these methods can be applied to value a controlled transaction at arm's length and that this method produces a result comparable to that which independent companies would have obtained in comparable uncontrolled transactions.</p>								
<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> - Financial data and margins.  <b>Databases:</b> Prowess, Bloomberg, Thomson Reuters, Orbis</p>								
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> - High-risk or high-value cases flagged.  <b>Documentation Review</b> - Authorities check Corporate Income Tax Declaration, TP Domestic Document, Master File, and comparability analysis.  The Arm's Length Price (ALP) can be verified by the Tax Agency or Tax Police by direct access in company offices with power to investigate directly files and e-mails or by Questionnaire  <b>Adjustments</b> - If pricing applied in the transaction with Related Parties is incorrect, taxable income is adjusted.  <b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="483 863 2107 1050"> <thead> <tr> <th data-bbox="483 863 1301 903">Violation</th> <th data-bbox="1301 863 2107 903">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 903 1301 943">No documentation and no tax adjustments</td> <td data-bbox="1301 903 2107 943">n/a</td> </tr> <tr> <td data-bbox="483 943 1301 1010">The Company has correctly prepared the TP documentation, but the Tax Agency considers the Group's TP policy incorrect</td> <td data-bbox="1301 943 2107 1010">from 90% up to 180% of the major taxes for the yrs from 2019 up to 2023 70% of the major taxes for the yrs from 2024 onward</td> </tr> <tr> <td data-bbox="483 1010 1301 1050">Omitted tax declaration (Hidden PE)</td> <td data-bbox="1301 1010 2107 1050">120% of the omitted taxes</td> </tr> </tbody> </table>	Violation	Penalty	No documentation and no tax adjustments	n/a	The Company has correctly prepared the TP documentation, but the Tax Agency considers the Group's TP policy incorrect	from 90% up to 180% of the major taxes for the yrs from 2019 up to 2023 70% of the major taxes for the yrs from 2024 onward	Omitted tax declaration (Hidden PE)	120% of the omitted taxes
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Omitted tax declaration (Hidden PE)	120% of the omitted taxes								
<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>TP Country File jointly with Master File:</b> within the deadline to submit the Corporate Income Tax Declaration (10 months from the closure of the fy) or alternatively within 90 days after the original deadline of Corporate Income Tax Declaration with the payment of a little penalty  <b>For a company with calendar fy, the TP documents and the relative deadlines are the following:</b>  <b>Domestic TP Document:</b> Oct 31th (description of the company activity, organization, transactions with related parties, benchmarks, results) or 90 days following  <b>Master File:</b> October 31th or 90 days following  <b>CbCR (Form 3CEAD): December 31 of the following year</b> (If group revenues &gt; Eur 750 millions ).</p>								

**Key Distinctions and Unique Aspects of Transfer Pricing Regulations**

Italy applies transfer pricing rules to **domestic transactions** without limitation

Italy has a **strict tax enforcement approach**, with frequent **Transfer Pricing Officer (TPO)** audits and large tax adjustments.

In the case of audit by the Tax Agency or Tax Police, the taxpayer must provide a copy of the TP documentation within 20 days.

Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.

In accordance with the Italian regulation (Tax Agency Determination November 23, 2020):

- the TP documentation must be electronically signed by the legal representative and marked with the time stamp by the date of submission of the Corporate Income Tax Declaration;
- Country File must be in Italian language, the Master File could be in Italian or in English



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## MALTA

<b>Overview of Transfer Pricing Regulations in MALTA</b>	<p>Malta has established formal Transfer Pricing Regulations to ensure that cross-border transactions between associated enterprises adhere to the arm's length principle, reflecting terms that independent entities would agree upon under similar circumstances. These regulations were introduced through Legal Notice 284 of 2022 and subsequently amended by Legal Notice 9 of 2024. <b>Length Principle (ALP)</b> to prevent tax avoidance.</p>
<b>Whether aligned with BEPS?</b>	<p>Malta's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<b>Scope and Applicability of Transfer Pricing Regulations</b>	<p>The Transfer Pricing Rules apply to cross-border arrangements between associated enterprises. An "associated enterprise" is defined as an entity holding, directly or indirectly, more than 75% of the voting rights or ordinary share capital in another entity, or entities under common control meeting the same threshold. For multinational enterprise groups subject to Country-by-Country Reporting (CbCR) requirements, this threshold is reduced to more than 50%. Notably, micro, small, and medium-sized enterprises (SMEs) are excluded from these rules.</p> <p>A "cross-border arrangement" encompasses transactions between:</p> <ul style="list-style-type: none"> <li>• A Maltese resident company and a non-resident entity.</li> <li>• A Maltese resident company and its permanent establishment (PE) situated outside Malta.</li> <li>• A non-resident entity and its PE located in Malta.</li> </ul> <p>Domestic transactions between Maltese entities are excluded from these rules.</p>
<b>Transactions Covered</b>	<p>Sale &amp; Purchase of Goods &amp; Services          Royalty, License Fees, or IP Transactions          Intercompany Loans &amp; Guarantees          Cost Sharing Agreements          Management &amp; Consultancy Fees          Leasing arrangements          R&amp;D and Intra-Group Services</p> <p>If the total arm's length value of cross-border transactions falls below the following thresholds, the Transfer Pricing Rules do not apply:          €6 million for revenue transactions (income/expenditure of a revenue nature).          €20 million for capital transactions (income/expenditure of a capital nature).          These thresholds are assessed based on the preceding financial year.</p>

<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>Under Malta’s Transfer Pricing Regulations, the term “related parties” (or “associated enterprises”) is legally defined based on ownership and control criteria. The regulations specify different thresholds depending on whether the entity is part of a multinational group subject to Country-by-Country Reporting (CbCR) requirements.</p> <p><b>Legal Definition of “Related Parties” (Associated Enterprises)</b></p> <p>A party is considered related (or an “associated enterprise”) if one entity holds, directly or indirectly, a significant degree of control or influence over another. The key thresholds are:</p> <p><b>Standard Threshold:</b></p> <ul style="list-style-type: none"> <li>• An entity is considered related if it holds more than 75% of the voting rights or ordinary share capital of another entity.</li> <li>• This applies to direct or indirect ownership.</li> <li>• It also includes entities under common control that meet the same ownership threshold.</li> </ul> <p><b>Lower Threshold for Multinational Groups under CbCR:</b></p> <p>If the entity is part of a multinational enterprise group subject to Country-by-Country Reporting (CbCR) requirements, the threshold is reduced to more than 50% ownership or control.</p> <p><b>Practical Implications</b></p> <ul style="list-style-type: none"> <li>• The 75% threshold applies to most businesses in Malta.</li> <li>• If a company is part of a large multinational group (subject to CbCR rules), a lower 50% threshold applies, meaning more entities could be classified as related.</li> </ul>
<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p> <p>Continued on the next page...</p>	<p>Malta’s Transfer Pricing Regulations align with OECD guidelines, requiring that cross-border transactions between related parties adhere to the arm’s length principle.</p> <p>Malta follows the OECD Transfer Pricing Guidelines, which recognize the following five methods for determining arm’s length pricing:</p> <p><b>Traditional Transaction Methods:</b></p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> <ul style="list-style-type: none"> <li>• Compares the price of a controlled transaction to that of a similar uncontrolled transaction.</li> <li>• Most reliable when comparable transactions exist.</li> </ul> </li> <li><b>2. Resale Price Method (RPM)</b> <ul style="list-style-type: none"> <li>• Compares the resale price of goods/services to an unrelated party, adjusting for appropriate margins.</li> <li>• Often used for distributors.</li> </ul> </li> <li><b>3. Cost Plus Method (CPM)</b> <ul style="list-style-type: none"> <li>• Adds an appropriate markup to the cost of goods or services.</li> <li>• Common for manufacturing and service arrangements.</li> </ul> </li> </ol>

<p>Continued from the previous page</p> <p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p><b>Transactional Profit Methods:</b></p> <p><b>4. Transactional Net Margin Method (TNMM)</b></p> <ul style="list-style-type: none"> <li>• Compares net profit margins in related-party transactions to those in uncontrolled transactions.</li> <li>• Common for service providers and routine manufacturing.</li> </ul> <p><b>5. Profit Split Method (PSM)</b></p> <ul style="list-style-type: none"> <li>• Divides total profits among related entities based on their contribution.</li> <li>• Used for complex, highly integrated transactions, such as intangibles or joint ventures.</li> </ul> <p><b>Alternative Methods:</b></p> <ul style="list-style-type: none"> <li>• Other methods may be accepted if justified under OECD guidelines.</li> </ul>
<p><b>Data Used</b></p>	<p>Companies subject to Malta's Transfer Pricing Rules must maintain comprehensive documentation that supports their pricing decisions. This typically includes:</p> <p><b>Mandatory Documentation:</b></p> <ul style="list-style-type: none"> <li>• Master File (for multinational groups) - Provides an overview of the group's global operations, financials, and transfer pricing policies.</li> <li>• Local File - Includes specific details on related-party transactions, comparability analysis, and financials relevant to Malta.</li> </ul> <p><b>Key Data Required:</b></p> <ul style="list-style-type: none"> <li>• Nature of the transaction (e.g., goods, services, loans, royalties).</li> <li>• Details of related parties and the functional analysis of their roles.</li> <li>• Selection and justification of the transfer pricing method.</li> <li>• Comparable data (internal or external benchmarks).</li> <li>• Economic &amp; industry analysis to support pricing.</li> </ul> <p><b>Language &amp; Submission:</b></p> <p>Documentation must be in Maltese or English.</p> <p>Should be available upon request by the Maltese tax authorities.</p>

## Transfer Pricing Audit Process and Penalties

Continued on the next page...

### 1. Transfer Pricing Audit Process

#### Step 1: Selection for Audit

The Maltese Commissioner for Revenue (CfR) may select companies for a transfer pricing audit based on:

- High-risk transactions (e.g., large intercompany loans, IP transfers).
- Unusual profitability patterns.
- Industry-specific risks.
- Third-party reports or whistleblower claims.

#### Step 2: Information Request

The CfR will issue a formal request for documentation, which may include:

- Master File & Local File (if applicable).
- Agreements & invoices for intercompany transactions.
- Benchmarking studies.
- Functional & economic analysis supporting the transfer pricing method used.

Companies must provide the requested documents within a set deadline (usually 30-60 days).

#### Step 3: Review & Comparability Analysis

The tax authorities will analyze whether the selected transfer pricing method is appropriate and whether the transaction aligns with the arm's length principle.

External benchmarking data and OECD guidelines will be used to assess compliance.

#### Step 4: Adjustment & Negotiation

If the tax authorities determine non-compliance, they may:

- Propose adjustments to the taxable income.
- Request additional documentation or justifications.
- Engage in negotiations with the taxpayer.

#### Step 5: Final Assessment & Tax Adjustments

If an adjustment is deemed necessary, the CfR will issue a revised tax assessment, which may include:

- Additional tax liabilities based on adjusted transfer prices.
- Interest and penalties for underreported income.

The taxpayer has the right to object and appeal.

Continued from the previous page

### Transfer Pricing Audit Process and Penalties

Failure to comply with Malta's Transfer Pricing Regulations can result in penalties, tax adjustments, and legal consequences.

#### a) Penalties for Non-Submission of Documentation

Failure to provide transfer pricing documentation upon request:

- Administrative penalties up to €10,000 per year.
- Additional daily penalties up to €50 per day for continued non-compliance.

#### b) Penalties for Incorrect or Incomplete Information

Providing inaccurate or misleading information can lead to:

- Tax reassessments and adjustments.
- Additional tax due on underreported income.
- Fines and interest on unpaid taxes.

#### c) Tax Adjustments & Additional Liabilities

If a transaction is not at arm's length, the authorities can recalculate taxable income, leading to:

- Higher taxable profits and increased tax liabilities.
- Possible double taxation (if the adjustment is not recognized in the counterparty jurisdiction).

#### d) Other Consequences

- Reputational risk (audit findings may be flagged in future compliance checks).
- Possible criminal liability in severe cases of tax evasion.



<p><b>Reporting Deadlines and Compliance Timelines</b></p>	<p><b>1. Key Reporting Deadlines</b></p> <p><b>a) Transfer Pricing Documentation (Master File &amp; Local File)</b></p> <ul style="list-style-type: none"> <li>• Submission Deadline: Must be available upon request by the Maltese Commissioner for Revenue (CfR).</li> <li>• Retention Period: Taxpayers must keep documentation for at least 9 years after the relevant financial year.</li> <li>• Language: Documentation must be in Maltese or English.</li> </ul> <p><b>b) Corporate Tax Return (Including Transfer Pricing Disclosures)</b></p> <p><b>Annual Deadline:</b></p> <ul style="list-style-type: none"> <li>• For financial years ending December 31 ———▶ Due by October 31 of the following year.</li> <li>• For other financial year-end dates ———▶ Due within 9 months after the financial year-end.</li> </ul> <p>Must include transfer pricing disclosures for covered transactions.</p> <p><b>c) Advance Pricing Agreements (APAs) &amp; Transfer Pricing Rulings</b></p> <ul style="list-style-type: none"> <li>• Application Deadline: Must be submitted before the relevant transaction occurs.</li> <li>• Validity Period: APAs are valid for up to 5 years and can be renewed.</li> </ul> <p><b>2. Compliance Timelines</b></p> <p><b>a) Effective Dates for Transfer Pricing Regulations</b></p> <ul style="list-style-type: none"> <li>• January 1, 2024 ———▶ Regulations apply to all new and materially altered transactions from this date.</li> <li>• January 1, 2027 ———▶ Rules apply to all existing cross-border transactions, even if they were in place before 2024.</li> </ul> <p><b>b) De Minimis Exemptions (Not Subject to Transfer Pricing Rules)</b></p> <ul style="list-style-type: none"> <li>• Transactions below €6 million (revenue nature) and €20 million (capital nature) are exempt.</li> <li>• Thresholds assessed based on the preceding financial year.</li> </ul>
<p><b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b></p>	<ol style="list-style-type: none"> <li>1. OECD-Aligned - Follows OECD Guidelines but allows flexibility in method selection.</li> <li>2. Applies Only to Cross-Border Transactions - Domestic transactions are excluded.</li> <li>3. High Ownership Threshold - 75% control rule (50% for CbCR entities) defines related parties.</li> <li>4. De Minimis -Exemptions - Transactions below €6M (revenue) or €20M (capital) are exempt.</li> <li>5. Gradual Implementation - Applies to new transactions from 2024, all transactions by 2027.</li> <li>6. Documentation Upon Request - No automatic filing; must be available for audits.</li> <li>7. Advance Pricing Agreements (APAs) - Available for up to 5 years.</li> <li>8. Strict Audit &amp; Penalties - Fines up to €10,000 + daily penalties for non-compliance.</li> </ol>

## MEXICO

<p>Overview of Transfer Pricing Regulations in MEXICO</p>	<p>Transfer Pricing Regulation were enacted since 1997 once Mexico was accepted as a OECD Member. Therefore, provisions aims to ensure that transactions between related entities follow the <b>Arm's Length Principle</b>.</p> <p><b>Key Law sections:</b></p> <p><b>Income Tax Law (ITL) Chapter II, Title IV "Multinational Groups and Related Parties Transactions"</b></p> <p><b>Article 179: Delineation of Transaction under review and general rules regarding "related parties" definition</b></p> <p><b>Article 180: TP Methods, Range and intercaurtail statistical methodology</b></p> <p><b>Articles 180-184 Maquiladora's Transfer Pricing regulations</b></p> <p><b>Articles 76-76-A Informative TP Returns. (Local File; Master File; CbyC Report</b></p>
<p>Whether aligned with BEPS?</p>	<p>Article 179 deems that OECD Transfer Pricing Guidelines apply as a supporting law (Soft Law)</p>
<p>Scope and Applicability of Transfer Pricing Regulations</p>	<p><b>Companies &amp; Businesses:</b></p> <p><b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.</p> <p><b>Foreign companies</b> with Mexican subsidiaries and/or permanent establishments.</p> <p><b>Local entities with transaction carried out with local or foreign related parties</b></p>
<p>Transactions Covered</p>	<p><b>Any transaction carried between related parties. There are not exemptions established. Examples:</b></p> <p>Sale &amp; Purchase of Goods &amp; Services</p> <p>Royalty, License Fees, or IP Transactions</p> <p>Intercompany Loans &amp; Guarantees</p> <p>Cost Sharing Agreements</p> <p>Management &amp; Consultancy Fees</p> <p>R&amp;D and Intra-Group Services</p>
<p>Legal Definition of Related Parties Under Transfer Pricing Regulations</p>	<p>Article 180 ITL allows six methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions. DEMPE analysis required</li> <li><b>5. Residual Profit Method (RPSM)</b> -</li> <li><b>6. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> </ol>

<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> – Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> – Financial data and margins.  <b>Databases:</b> There are no rule, so any commercial database is allowed as long as it is reliable enough</p>								
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process</b>  <b>Selection for Audit</b> – High-risk or high-value cases flagged. Cross-border transactions trigger more field auditings. TP auditing extent is bigger than federal taxes audits, it can take up to two years.  <b>Documentation Review</b> – Since filing a annual TP Report is not generally mandatory, authorities may require all documentation that supports arm’s length compliance. Legal requirements or field auditings may come from: informative annual returns or any other report disclosing related parties transactions.  <b>Adjustments</b> – If pricing is incorrect, taxable income is adjusted. ITL deems that adjustment may be the median of the range  Adjustments are classified as Real or Virtual; Voluntary (carried out by entity) or Primary (carried out by tax authority). International adjustments allowed but under approval from tax authority  <b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="488 624 2114 783"> <thead> <tr> <th data-bbox="488 624 1301 663">Violation</th> <th data-bbox="1301 624 2114 663">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="488 663 1301 703">Non filing documentation after requirement</td> <td data-bbox="1301 663 2114 703">Lost of deductions or new taxable profit assessment</td> </tr> <tr> <td data-bbox="488 703 1301 743">Non Filing (or incomplete filing) annual informative return</td> <td data-bbox="1301 703 2114 743">From \$99,590 to \$199,990 Mxp; (5,000Usd to 10,000Usd)</td> </tr> <tr> <td data-bbox="488 743 1301 783">Tax omitted after a reassessment</td> <td data-bbox="1301 743 2114 783">55%-75% of Tax Due</td> </tr> </tbody> </table>	Violation	Penalty	Non filing documentation after requirement	Lost of deductions or new taxable profit assessment	Non Filing (or incomplete filing) annual informative return	From \$99,590 to \$199,990 Mxp; (5,000Usd to 10,000Usd)	Tax omitted after a reassessment	55%-75% of Tax Due
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Tax omitted after a reassessment	55%-75% of Tax Due								
<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>Annual Informative Return:</b> Related parties transactions: <b>May 15th</b>  <b>Local File</b> (different from transfer pricing report): <b>May 15th for entities with revenues + \$1,016,759,000 Mxp</b> (50 million USD)  <b>Master File: December 31th</b> (If turnover &gt; <b>\$1,016,759,000 Mxp</b>)  <b>CbCR: December 31th</b> (If group revenue &gt; <b>\$12,000,000,000 Mxp</b> (600 millions USD)  Penalty for failure on filing: From <b>\$199,990 Mxp</b> to <b>\$284,220 Mxp</b> (10,000 Usd to 14,000 usd)</p>								
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Mexico applies transfer pricing rules to <b>domestic transactions</b>  Regulations does not set a minimum amount for transactions to be assessed  Comparability of financial information only allowed when all data comes from the same year under scrutiny  <b>Safe Harbour Rules (SHR):</b>Predefined profit margins only for Maquiladoras with official Program. 5% for Low Value Services allowed  <b>Three-Tiered Documentation: Local File, Master File, and Country-by-Country Reporting (CbCR) align with OECD BEPS guidelines.</b></p>								



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## PERU

<p><b>Overview of Transfer Pricing Regulations in PERU</b></p>	<p><b>Transfer Pricing Rules</b> apply to transactions carried out by taxpayers with their related parties; to those conducted from, to, or through non-cooperative countries or territories with low or no taxation; or to those carried out with entities whose income, revenues, or gains derived from such transactions are subject to a preferential tax regime</p> <p><b><u>Income Tax Law (LIR) and Income Tax Regulations (RLIR)</u></b></p> <p><b>Article LIR 32-A:</b> Rules applicable to Transfer Pricing</p> <p><b>Articles 108, 109, and 110 RLIR:</b> Scope of Application, Adjustments, and Comparability Analysis</p> <p><b>Article 116 RLIR:</b> Obligation to Submit Informative Affidavits: Local Report, Master Report, and Country-by-Country Report</p> <p><b>Article 117 RLIR:</b> Minimum Information to be Included in Informative Affidavits</p> <p><b>Article 118 RLIR:</b> Advance Pricing Agreements</p> <p><b>Article 118-A:</b> Benefit Test</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Peru's regulations align with the <b>OECD Guidelines</b> to prevent Base Erosion and Profit Shifting (BEPS)</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies and businesses</b>, in general, whose accrued income exceeds 2,300 UIT (S/ 12,305,000) and have carried out transactions within the scope of the Transfer Pricing regulations for amounts equal to or greater than 100 UIT (S/ 535,000).</p>
<p><b>Transactions Covered, among others</b></p>	<p>Sale &amp; Purchase of Goods &amp; Services</p> <p>Royalty, License Fees, or IP Transactions</p> <p>Loans and guarantees between companies</p> <p>Value-added services</p> <p>Consulting and technical assistance services</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p><b>Related Parties</b> two or more individuals or companies are considered related parties when one of them directly or indirectly participates in the management, control, or capital of the other.</p> <p>In general, two individuals or companies are considered related parties if they meet any of the following conditions:</p> <ul style="list-style-type: none"> <li>• A person or company <b>owns more than 30% of the capital</b> of another company directly or through a third party.</li> <li>• More than <b>30% of the capital</b> of two or more companies belongs to the same person or company, either directly or through a third party.</li> <li>• The companies have <b>one or more common directors, managers, or administrators</b> with decision-making power.</li> <li>• <b>Participation Agreement Contract</b>, in which the associate participates in more than 30% of the profits of the principal's business.</li> <li>• A <b>non-domiciled company</b> has one or more <b>permanent establishments</b> in the country.</li> <li>• A <b>Peruvian company</b> has one or more <b>permanent establishments</b> abroad.</li> <li>• When a <b>domiciled company</b> carries out, within a given period, <b>80% or more of its sales of goods or services</b> with another company, provided that these transactions, in turn, represent <b>30% of the purchases or acquisitions</b> of the other party in the same period.</li> </ul>

<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p><b>According to Article 113 of the Regulations of the Income Tax Law, Peru allows six methods:</b></p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method</b> - Resale price minus a profit margin.</li> <li><b>3. Cost Plus Method</b> - Cost plus a profit margin.</li> <li><b>4. Profit Split Method</b> - Distributes profits based on contributions.</li> <li><b>5. Residual Profit Split Method</b> - Distributes residual profit based on contributions.</li> <li><b>6. Transactional Net Margin Method</b> - Determines the profit that independent parties would have obtained.</li> </ol>
<p><b>Transfer Pricing Audit Process and Penalties</b></p>	<p><b><u>Informative Affidavits</u></b></p> <p><b><u>Local Report</u></b> Applicable to taxpayers whose accrued income exceeds <b>2,300 UIT (S/ 12,305,000)</b> and who have conducted transactions within the scope of the <b>Transfer Pricing (TP) rules, with an operations amount equal to or greater than 100 UIT (S/ 535,000)</b>. The Local Report describes the company's organizational structure, activities, competitors, transactions with related parties, benefit test, identification of the transfer pricing method, and annual financial statements.</p> <p><b><u>Master Report</u></b> Applicable to taxpayers whose accrued income exceeds <b>20,000 UIT (S/ 107,000,000)</b> and who have conducted transactions within the scope of the <b>Transfer Pricing (TP) rules, with an operations amount equal to or greater than 100 UIT (S/ 535,000)</b>. The Master Report describes the company's organizational structure, business description of the Group, policies, agreements on intangibles, financial activities of the Group, identification of financiers, and consolidated financial statements.</p> <p><b><u>Country-by-Country Report</u></b> Applicable when <b>consolidated financial statement income equals or exceeds S/ 2,700,000,000</b>. The Country-by-Country Report contains general information related to income amount, corporate income tax, declared capital, undistributed earnings, tangible assets, and the number of employees per jurisdiction where the multinational group operates. It also identifies each group entity and the nature of their main activities.</p> <p><b><u>Penalties for Non-Compliance</u></b></p> <ul style="list-style-type: none"> <li><b>For Failure to Submit Declarations:</b> Fine of up to approximately <b>US\$ 36,000</b> per declaration, per year, and per company (0.6% of net income, with a minimum of 10% of the UIT and a maximum of 25 UIT). UIT for the year 2025 = S/ 5,350.</li> <li><b>For Price Adjustments:</b> Fine of <b>50% of the omitted tax payable</b> or 100% of the improperly obtained amount, per year and per company.</li> </ul>
<p><b>Reporting Deadlines and Compliance Timelines</b></p>	<p>Local Report is submitted through Virtual Form No. 3560 during the month of June. Master Report is submitted through Virtual Form No. 3561 during the month of October Country-by-Country Report is submitted during the month of October.</p>
<p><b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b></p>	<p>Peru has a strict tax compliance approach, with frequent audits by the National Superintendence of Tax Administration. Three-Tier Documentation: Local Report, Master Report, and Country-by-Country Report (CbCR), aligned with the OECD BEPS guidelines.</p>

## PORTUGAL

<p><b>Overview of Transfer Pricing Regulations in PORTUGAL</b></p>	<p>Transfer pricing in Portugal is governed by <b>article 63 of the Corporate Income Tax Code and regulated by Ordinance No. 268/2021</b>. These provisions ensure that transactions between related entities follow the Arm's Length Principle (ALP) to prevent tax avoidance.</p> <p><b>Key Law sections:</b></p> <p><b>Article 63 of the CIRC:</b> Defines the arm's length principle and general transfer pricing rules.</p> <p><b>Article 63 (1) e (4) of the CIRC:</b> Define Associated Enterprises (AEs)</p> <p><b>Article 63 (2) of the CIRC:</b> Define international transactions.</p> <p><b>Article 63 (3) of the CIRC:</b> Specifies approved methods for computing ALP.</p> <p><b>Ordinance No. 268/2021:</b> Establishes the mandatory documentation requirements (Transfer Pricing File).</p> <p><b>Law No. 24/2020:</b> Introduces changes to the transfer pricing regime, strengthening documentation and compliance requirements.</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Portugal's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies subject to Corporate Income Tax (IRC)</b> that engage in transactions with related entities, including domestic and cross-border operations.</p> <p><b>Permanent establishments</b> of foreign companies operating in Portugal.</p>
<p><b>Transactions Covered</b></p>	<p>Sale and purchase of goods and services ( transactions involving tangible and intangible assets)</p> <p>Licensing of intellectual property rights.</p> <p>Financing agreements (loans, guarantees, etc.).</p> <p>Cost-sharing agreements and intercompany service charges.</p> <p>Business restructuring operations.</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>According to Article 63(4) of the CIRC, two entities are considered related when there is, directly or indirectly, a situation of control or significant influence, including, among others, the following situations:</p> <p><b>Capital participation:</b> When an entity holds, directly or indirectly, at least 20% of the share capital or voting rights of another entity.</p> <p><b>Control power:</b> When an entity exercises significant influence over the management of another, whether through ownership interests, contracts, or other means.</p> <p><b>Family relationships:</b> When directors, managers, or spouses of one entity have direct family ties with another company.</p> <p><b>Relationship between companies and permanent establishments:</b> When a Portuguese company and a permanent establishment located abroad (or vice versa) are part of the same economic group.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per <b>Article 63 (3) of the Corporate Income Tax Code</b>, Portugal allows six methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li><b>6. Other Method (article 63 (3/b))</b> - Any reliable alternative approach.</li> </ol>
<b>Data Used</b>	<p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.  <b>Industry Benchmarking Reports</b> - Financial data and margins.  <b>Databases:</b> Amadeus, Bloomberg, Orbis, Capital IQ, Thomson Reuters, RoyaltyStat</p>
<b>Transfer Pricing Audit Process and Penalties</b>	<p><b>Transfer Pricing Audit Process:</b></p> <ul style="list-style-type: none"> <li>• <b>Selection for Audit</b> - High-volume related-party transactions; Significant financial losses despite intercompany transactions; Use of entities in low-tax jurisdictions; Large intra-group services, royalties, or financing arrangements; Discrepancies in Country-by-Country Reporting (CbCR).</li> <li>• <b>Review of Transfer Pricing Documentation</b> - Authorities will examine the submitted documentation to verify compliance with the Portuguese tax laws and regulations, including adherence to the arm's length principle. If the company's transfer pricing documentation is incomplete or non-compliant, this can trigger penalties or further scrutiny."</li> <li>• <b>Examination of Comparable Data</b> - The tax authorities will likely request access to third-party comparables or other relevant databases to assess whether the intercompany pricing is consistent with what would be charged between unrelated parties.</li> <li>• <b>Adjustments and Tax Assessments</b> - If pricing is incorrect, taxable income is adjusted. Adjustments can be made retroactively for up to four years (or longer in cases of tax fraud).</li> </ul> <p><b>Penalties for Non-Compliance:</b> Failure to submit the documentation regarding the transfer pricing policy, as well as the failure to submit, within the legally prescribed deadline, the declaration of the identifying entity or the country-by-country financial and tax reporting for entities within a multinational group, is punishable by a fine ranging from 500 € to 10,000 € (doubled in the case of a legal entity), plus an additional 5% for each day of delay in meeting these obligations.</p>
<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>Transfer Pricing Dossier - Master File and Local File</b> - (Companies with turnover or total assets &gt; €10.000.000 ): July 15  <b>Country-by-Country Report (CbCR)</b> (If consolidated revenue &gt; €750.000.000M ): <b>the last day of the 5th month following the end of the tax period, usually by May 31</b>  <b>CbCR Notification (Modelo 54/55):</b> (Portuguese entities of an MNE subject to CbCR): <b>the last day of the 5th month following the end of the tax period, usually by May 31.</b>  <b>Annual Tax Return (Modelo 22 ):</b> <b>the last day of the 5th month following the end of the tax period, usually by May 31.</b>  <b>Annual Financial and Tax Information Return (IES - Annex H):</b> July 15</p>

**Key Distinctions and Unique Aspects of Transfer Pricing Regulations**

Portuguese law defines related entities broadly, covering direct and indirect control and special economic relationships. A 20% ownership threshold (rather than 25% in some jurisdictions) is enough to establish a related-party relationship. Portugal closely follows OECD standards but requires additional disclosures: Annex H of IES (Informação Empresarial Simplificada) includes a summary of related-party transactions and Companies with complex TP structures may need additional reports or benchmarking studies. Portuguese authorities prefer the Comparable Uncontrolled Price (CUP) method for transactions involving tangible goods. The Transactional Net Margin Method (TNMM) is commonly accepted for services and intangibles.



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## QATAR

<b>Overview of Transfer Pricing Regulations in Qatar</b>	<p>Transfer pricing in Qatar is governed by the Executive Regulations issued under the Income Tax Law No 24 of 2018. Qatar follows the OECD Transfer Pricing Guidelines, requiring businesses to adhere to arm’s length principles for related-party transactions.</p> <p><b>Key Law sections:</b></p> <p>Article 53 of the Income Tax Law mandates that transactions between related parties must comply with the arm’s length principle. Executive Regulations specify documentation requirements and compliance obligations.</p> <p>Section 92C: Specifies approved methods for computing ALP.</p> <p>Taxpayers meeting revenue and transaction value thresholds must maintain a Master File and Local File.</p> <p>Entities engaging in related-party transactions must submit annual Transfer Pricing Forms.</p>
<b>Whether aligned with BEPS?</b>	<p>Multinational Enterprises (MNEs) meeting OECD BEPS Action 13 requirements must comply with Country-by-Country Reporting (CbCR).</p>
<b>Scope and Applicability of Transfer Pricing Regulations</b>	<p><b>Companies &amp; Businesses:</b></p> <p>Qatar’s Transfer Pricing Regulations under Law No. (24) of 2018 apply to entities engaged in related-party transactions, following OECD BEPS Action 13.</p> <p>To compl by MNEs, Qatari entities with related-party transactions, Foreign branches, QFC &amp; QFZ entities</p>
<b>Transactions Covered</b>	<p>Sale &amp; Purchase of Goods &amp; Services</p> <p>Royalty, License Fees, or IP Transactions</p> <p>Intercompany Loans &amp; Guarantees</p> <p>Cost Sharing Agreements</p> <p>Management &amp; Consultancy Fees</p> <p>R&amp;D and Intra-Group Services</p>
<b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b>	<p>In Qatar, “Related Parties” for transfer pricing purposes are defined under Income Tax Law No. (24) of 2018 and its Executive Regulations, in alignment with OECD Transfer Pricing Guidelines.</p> <p>Two enterprises are considered related parties if any of the following conditions are met:</p> <p><b>Ownership:</b> One enterprise holds <b>25% or more</b> voting power in another.</p> <p><b>Control:</b> One enterprise directly or indirectly controls the other.</p> <p><b>Common Ownership:</b> A third entity owns <b>25% or more</b> in both enterprises.</p> <p><b>Debt Financing:</b> One enterprise provides <b>50% or more</b> of the total borrowings of another.</p> <p><b>Supply Dependence:</b> One enterprise depends on another for <b>80% or more</b> of its raw materials or sales.</p> <p><b>Management Influence:</b> More than <b>50% of directors or executive personnel</b> are appointed by the other enterprise.</p> <p><b>Exclusive Agreements:</b> One enterprise is fully dependent on another for technology, patents, or business operations.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm’s Length Principle (ALP)</b> to prevent tax avoidance</p>

<p><b>Recognized Transfer Pricing Methods and Data Requirements</b></p>	<p>Under Qatar’s Income Tax Law No. (24) of 2018 and its Executive Regulations, transfer pricing regulations align with the OECD Transfer Pricing Guidelines. Taxpayers must ensure that related-party transactions comply with the arm’s length principle (ALP) by applying recognized transfer pricing methods and maintaining proper documentation.</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li><b>6. Other Method (Rule 10AB)</b> - Any reliable alternative approach.</li> </ol>												
<p><b>Data Used</b></p>	<p><b>Reporting Threshold (CbCR): MNEs with consolidated revenue &gt; QAR 3 billion</b></p> <p><b>Internal &amp; External Comparable</b> - Similar transactions within or outside the group.</p> <p><b>Industry Benchmarking Reports</b> - Financial data and margins.</p> <p><b>Databases:</b> Prowess, Capitaline, Bloomberg, Thomson Reuters.</p>												
<p><b>Transfer Pricing Audit Process and Penalties</b></p>	<p><b>Transfer Pricing Audit Process</b></p> <p><b>Selection for Audit</b> - High-risk or high-value cases flagged.</p> <p><b>Documentation Review</b> - Authorities check Form 3CEB, Master File, and comparability analysis.</p> <p><b>TPO Examination</b> - Transfer Pricing Officer (TPO) verifies Arm’s Length Price (ALP).</p> <p><b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted.</p> <p><b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="483 922 2112 1217"> <thead> <tr> <th data-bbox="483 922 1301 970">Violation</th> <th data-bbox="1301 922 2112 970">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 970 1301 1018">Late filing of tax return</td> <td data-bbox="1301 970 2112 1018">AR 500 per day (Max QAR 180,000)</td> </tr> <tr> <td data-bbox="483 1018 1301 1066">Failure to submit TP documentation</td> <td data-bbox="1301 1018 2112 1066">Fines and estimated tax adjustments</td> </tr> <tr> <td data-bbox="483 1066 1301 1114">Incorrect TP reporting</td> <td data-bbox="1301 1066 2112 1114">2% per month (Max 100% of due tax)</td> </tr> <tr> <td data-bbox="483 1114 1301 1161">Repeated violations</td> <td data-bbox="1301 1114 2112 1161">Business suspension, legal action, blacklisting</td> </tr> <tr> <td data-bbox="483 1161 1301 1217">Non-payment of corporate tax</td> <td data-bbox="1301 1161 2112 1217">200% of tax due</td> </tr> </tbody> </table>	Violation	Penalty	Late filing of tax return	AR 500 per day (Max QAR 180,000)	Failure to submit TP documentation	Fines and estimated tax adjustments	Incorrect TP reporting	2% per month (Max 100% of due tax)	Repeated violations	Business suspension, legal action, blacklisting	Non-payment of corporate tax	200% of tax due
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<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>ITR and TPDF : April 30</b> (Certified by CA).</p> <p><b>Master File and Local File: June 30</b> (If turnover &gt; QAR 50 Million).</p> <p><b>CbCR (Form 3CEAD): December 31</b> (If group revenue &gt; QAR 3 Billion ).</p> <p>*Late filing penalties can go up to QAR 180,000</p>
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Regulatory Framework: Embedded in Income Tax Law No. (24) of 2018) and Regulatory Authority is General Tax Authority(GTA)</p> <p>OECD Alignment: Follows OECD BEPS Action 13, but no standalone TP law</p> <p>Related-Party Definition: Entities with ≥25% ownership, debt financing, or management influence</p> <p>TP Documentation: Requires Master File, Local File, CbCR, TP Disclosure Form</p> <p>Recognized TP Methods: CUP, RPM, CPM, TNMM, PSM (OECD-aligned)</p>



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## SPAIN

<p><b>Overview of Transfer Pricing Regulations in SPAIN</b></p>	<p>Transfer pricing in India is governed by Article 18 of the Corporate Income Tax Law (Law 27/2014) and Chapter V of Title I of the Corporate Income Tax Regulation (Royal Decree 634/2015).</p> <p>These provisions ensure that transactions between related entities follow the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p> <p><b>Key Law provisions:</b></p> <p><b>Article 18.1:</b> Requires related-party transactions to be at arm's length.</p> <p><b>Article 18.2:</b> Defines Associated Enterprises (AEs) and international transactions.</p> <p><b>Article 18.3:</b> Mandate documentation and filing of declarations.</p> <p><b>Article 18.4:</b> Specifies approved methods for computing ALP.</p> <p><b>Royal Decree 634/2015:</b> Develops the procedure for the information and documentation on related entities and transactions.</p>
<p><b>Whether aligned with BEPS?</b></p>	<p>Spain's regulations align with <b>OECD Guidelines</b> to prevent <b>Base Erosion and Profit Shifting (BEPS)</b>.</p>
<p><b>Scope and Applicability of Transfer Pricing Regulations</b></p>	<p><b>Companies &amp; Businesses:</b></p> <p><b>National Groups of companies.</b></p> <p><b>Multinational Enterprises (MNEs)</b> with cross-border related-party transactions.</p> <p><b>Foreign companies</b> with Spanish subsidiaries or permanent establishments.</p>
<p><b>Transactions Covered</b></p>	<p>Sale &amp; Purchase of Goods &amp; Services          Royalty, License Fees, or IP Transactions          Intercompany Loans &amp; Guarantees          Cost Sharing Agreements          Management &amp; Consultancy Fees          R&amp;D and Intra-Group Services</p>
<p><b>Legal Definition of Related Parties Under Transfer Pricing Regulations</b></p>	<p>In Spain, "<b>Related Parties</b>" for transfer pricing purposes are defined as <b>Associated Enterprises (AEs)</b> under <b>Article 18.2 of the Corporate Income Tax Law</b> (Law 27/2014)</p> <p>Two enterprises are considered <b>related parties</b> if any of the following conditions are met:</p> <p><b>Ownership:</b> One natural or legal person holds <b>25% or more</b> voting power in another.</p> <p><b>Control:</b> One natural or legal person directly or indirectly controls the other.</p> <p><b>Common Ownership:</b> A natural or legal person owns <b>25% or more</b> in both enterprises or belong to the same group.</p> <p><b>Management:</b> An entity and its directors or members of the board of directors.</p> <p><b>Family members:</b> An entity and the spouses or persons related by blood or marriage up to the third degree of consanguinity or affinity to the shareholders or directors, in a direct or collateral line.</p> <p>These provisions ensure that related-party transactions comply with the <b>Arm's Length Principle (ALP)</b> to prevent tax avoidance.</p>

<b>Recognized Transfer Pricing Methods and Data Requirements</b>	<p>As per <b>Article 18.4 of the Corporate Income Tax Law</b>, Spain allows six methods:</p> <ol style="list-style-type: none"> <li><b>1. Comparable Uncontrolled Price (CUP) Method</b> - Compares prices with independent transactions.</li> <li><b>2. Resale Price Method (RPM)</b> - Resale price minus a reasonable margin.</li> <li><b>3. Cost Plus Method (CPM)</b> - Cost plus a markup.</li> <li><b>4. Profit Split Method (PSM)</b> - Splits profits based on contributions.</li> <li><b>5. Transactional Net Margin Method (TNMM)</b> - Compares net profit margins.</li> <li><b>6. Other Method</b> - Any reliable alternative approach.</li> </ol>								
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Violation	Penalty								
No documentation (without correction)	EUR 1,000 per omitted or false entry, or EUR 10,000 for all the omitted or false entries. Maximum limit: the lesser of the following two amounts: - 10% of the total amount of transactions subject to CIT, PIT or Non-Resident Income Tax in the tax period. - 1% of the net turnover.								
No documentation (with correction)	Penalty of 15% of the amount of the amounts resulting from the corrections to be made for each operation.								
Incorrect pricing adjustments	Penalty of 15% of the amount of the amounts resulting from the corrections to be made for each operation.								
<b>Reporting Deadlines and Compliance Timelines</b>	<p><b>Form 232:</b> month following the tenth month after the end of the tax period to which the information to be provided relates.  <b>CbCR (Form 231):</b> month following the eleventh month after the end of the tax period (if group revenue &gt; EUR 750 Million ).          *Late filing penalties can go up to EUR 20,000</p>								
<b>Key Distinctions and Unique Aspects of Transfer Pricing Regulations</b>	<p>Spain applies transfer pricing rules to <b>domestic and international transactions</b> exceeding EUR 250,000.</p>								

## THAILAND

<b>Overview of Transfer Pricing Regulations in THAILAND</b>	<p>Transfer pricing in Thailand is governed by</p> <ol style="list-style-type: none"> <li>1. Thai Revenue Code</li> <li>2. Ministerial Regulation No. 369 (B.E. 2563) (2020) Issued under the Thai Revenue Code Regarding the Adjustment of Income and Expenses of Related Companies or Partnership</li> <li>3. Ministerial Regulation No. 370 (B.E. 2563) (2020) Issued under the Thai Revenue Code Regarding the Revenue Threshold of Companies or Juristic Partnerships According to Section 71 ter paragraph 3</li> </ol>
<b>Whether aligned with BEPS?</b>	<p>Yes, Thailand participates the Inclusive Framework on BEPS.</p>
<b>Scope and Applicability of Transfer Pricing Regulations</b>	<p><b>Company or Juristic Partnership (for juristic partnership, it includes limited partnership and registered ordinary partnership)</b></p> <ol style="list-style-type: none"> <li>1. who proceeds a transaction with its <b>related companies or juristic partnerships under Transfer Pricing Regulations</b> (please see below the definition as specified in Item 5.); and</li> <li>2. Such company or juristic partnership has revenue of more than 200 million THB; and</li> <li>3. Subjects to disclose information regarding its related companies or juristic partnerships and their transactions by submitting a <b>Disclosure Form</b> to the Thai Revenue Department</li> </ol>
<b>Transactions Covered</b>	<p>Commercial or financial terms, agreements, or contracts involving sales, services, marketing, advertising, loans, financial assistance, or other commercial or finance transactions, both verbally and in writing.</p>
<b>Legal Definition of Related companies or juristic partnerships Under Transfer Pricing Regulations</b>	<p><b>Two entities or more are considered as related companies or juristic partnerships if any of the following conditions are met:</b></p> <ol style="list-style-type: none"> <li>1. An entity, either directly or indirectly, holds shares or partnership (contribution) with not less than 50% of the total shares or partnership (contribution) of another entity; or</li> <li>2. A shareholder or partner of an entity holds shares or partnership (contribution) at 50% or more of its total shares or partnership (contribution) and such shareholder or partner holds shares or partnership (contribution) at 50% or more of the total shares or partnership (contribution) in another entity; or</li> <li>3. An entity that has a capital, management, or control relationship with another entity and either of them cannot operate independently.</li> </ol>
<b>Recognized Transfer Pricing Methods</b>	<p>Thailand applies six methods:</p> <ol style="list-style-type: none"> <li>1. <b>Comparable Uncontrolled Price Method</b></li> <li>2. <b>Resale Price Method</b></li> <li>3. <b>Cost Plus Method</b></li> <li>4. <b>Transactional Net Margin Method</b></li> <li>5. <b>Transactional Profit Split Method</b></li> <li>6. <b>Other Methods</b> subject to notification to the Director General of the Thai Revenue Department</li> </ol>

<p><b>Data Used for comparison to improve the company or juristic partnership's incomes and expenses.</b></p>	<p>The tax assessor will use these data to assess the company or juristic partnership's incomes and expenses;</p> <p><b>Internal Data</b></p> <ol style="list-style-type: none"> <li>1. Prioritize using internal data from transactions that occurred between the related companies or juristic partnerships with other third-party companies or juristic partnerships</li> </ol> <p><b>External Data</b></p> <ol style="list-style-type: none"> <li>2. If internal data is unavailable, external data from transactions of other third-party companies or juristic partnerships shall be used, regardless of whether the transactions are conducted in Thailand or outside and by incorporated entities under Thai or foreign laws</li> </ol>				
<p><b>Transfer Pricing Audit Process and Penalties</b></p>	<p><b>Transfer Pricing Audit Process</b></p> <p><b>Documentation Review</b> - Disclosure Form (Master Files) and Local Files which were requested by the tax assessor to be used for analysis.</p> <ol style="list-style-type: none"> <li>1. Contractual Term of the Transaction</li> <li>2. Functional Analysis: FAR</li> <li>3. Characteristic of Property &amp; Service</li> <li>4. Economic Circumstances</li> <li>5. Business Strategy</li> </ol> <p><b>Remarks:</b></p> <ul style="list-style-type: none"> <li>• Local Files refer to the documents or evidence used to analyze the contractual terms of the transactions</li> <li>• All documentations must be submitted in Thai language</li> </ul> <p><b>The Tax Assessor Examination</b> - The tax assessor verifies Arm's Length Price (ALP).</p> <p><b>Adjustments</b> - If pricing is incorrect, taxable income is adjusted.</p> <p><b>Penalties for Non-Compliance</b></p> <table border="1" data-bbox="488 879 2110 986"> <thead> <tr> <th data-bbox="488 879 1301 919">Violation</th> <th data-bbox="1301 879 2110 919">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="488 919 1301 986">Failure to file a Disclosure Form, providing a false declaration, or providing insufficient information</td> <td data-bbox="1301 919 2110 986">A fine not more than 200,000 THB</td> </tr> </tbody> </table>	Violation	Penalty	Failure to file a Disclosure Form, providing a false declaration, or providing insufficient information	A fine not more than 200,000 THB
Violation	Penalty				
Failure to file a Disclosure Form, providing a false declaration, or providing insufficient information	A fine not more than 200,000 THB				
<p><b>Reporting Deadlines and Compliance Timelines</b></p>	<ol style="list-style-type: none"> <li>1. <b>Disclosure Form:</b> Within 150 days from the last day of the fiscal year by electronic filling or by hand-in submission</li> <li>2. <b>Local Files:</b> The Revenue Department can request local files within 5 years from the Disclosure Form filing date, and the Local Files must be submitted within 180 days of receiving the first notification or 60 days of receiving subsequent notifications by the Thai Revenue Department</li> </ol>				

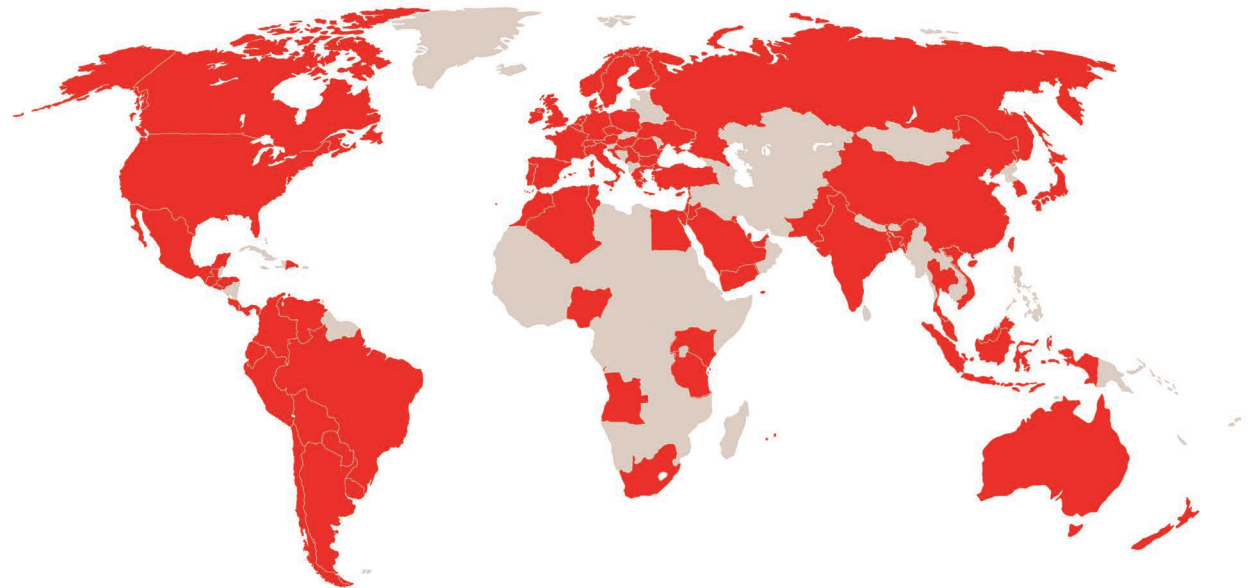


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**INTERNATIONAL COMPARISON**

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**2025**

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