

IS THE LEGISLATION IMPORTANT IN THE CONTEXT OF TRANSFER PRICING?

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Introduction

globalization and its influence on the concept of transfer pricing due to the significant tax differences



globalization has become a top priority for the OECD members

transactions among related entities should be traded at standard prices and standard market condition,
but this presumption is often unkept



transfer pricing as interdisciplinary topic

Introduction

STATE (aim – optimal tax policy)



AIM – to create a procedure respecting arm's length principle

CORPORATE (aim – the highest possible efficiency)

transfer prices – prices agreed for services or goods between two or more associated parties

Introduction

Tab. 1 Number of tax control in the Slovak republic

<i>YEAR</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2019</i>	<i>2020</i>
<i>NUMBER OF CONTROLS</i>	18	10	21	32	59	144	32	27
<i>VALUE</i>	1 997	334	21 473	12 056	8 187	51 152	51 210	171 019

in 2019, approximately every second inspection were ended with the imposition of a tax



necessity of creation of a relevant legal framework

Results – International legislation

Non legal regulation

- *Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD)*
 - last update in 2017
 - arm's length principle, define methods for transfer pricing, comparative analysis, approaches in tax administration, how to avoid disputes in the field of transfer pricing, documentation
- *Base Erosion and Profit Shifting (OECD)*
 - action plan to reduce BEPS
 - taxes 4 – 10% lower (100-240 billion dollars)
- *Model Tax Convention on Income (OECD)*
 - last update 2017
 - Article 9 – defines related parties and how to adjust the tax base
- *The EU Joint Transfer Pricing Forum*
 - Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises
 - Code of conduct on transfer pricing documentation for associated enterprises in the European Union

Results – Legislation in the Slovak republic

Legal regulation:

- *Act No. 595/2003 Coll. On the Income Tax as amendment* – amplified the issue from the level of international corporations also to domestic related parties
 - Section 2 (n) – prices have to be set at the level of arm's length principle
 - Section 2 (b) – definition of controlled transactions
 - specified in detail the specific methods of arm's length principle (2001)
 - obligation to manage documentation according used method (2009)
- *Civil Code* – definition of related person
- *Act No. 442/2012 Coll. On international assistance and cooperation in tax administration*

Results – Legislation in the Slovak republic

Non-Legal regulation:

- *Guideline of the Ministry of Finance of the Slovak Republic no. MF/014283/2018-724*
 - details of the documentation on the pricing method
- *Methodological instruction on the application of transfer pricing methods*
 - fundamentals of individual methods

Discussion

transfer pricing
not only issue of
multinational corporations

**successful multinational
companies**
experienced staff, well
equipped tax departments
and resources focused on tax
planning

**detect another effects of
transfer pricing**

Thank you for your attention