



Swedish tax authority announces position on relationship between transfer pricing documentation and tax penalties

Global Transfer Pricing Alert 2019-009

The Swedish tax authority (STA) on December 3, 2018, issued [administrative guidance](#) (in Swedish) on the relationship between transfer pricing documentation and tax penalties. While the administrative guidance does not constitute legislation, it illustrates the STA's position on the matter.

As a rule, tax penalties are levied on transfer pricing adjustments at a rate of 40 percent of additional tax (or 10 percent of the reduced losses). The STA's view is that having transfer pricing documentation should result in the relief of

potential tax penalties by half, if the following requirements are met:

- The taxpayer must submit transfer pricing documentation that fulfills the Swedish content requirements upon the STA's request;
- The documented transfer pricing policy should not deviate significantly from common international transfer pricing standards; and
- The taxpayer must have applied the documented policy and methods in practice.

Comments

The administrative guidance reiterates the importance of maintaining contemporaneous transfer pricing documentation, as it could reduce tax penalties in the case of a transfer pricing adjustment. It is therefore recommended that multinationals review their current transfer pricing documentation to ensure compliance with Swedish documentation requirements, and that the documentation reflect the actual conduct of the parties within the group.

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