



Transfer Pricing News

The SAT has started sending additional information requests related to Transfer Pricing Studies

Since the year 2016, the Superintendency of Tax Administration –SAT– has requested the submission of transfer pricing studies from taxpayers that have indicated in their Annual Income Tax Return that they have had transactions with foreign related parties.

As we mentioned before, in July of this year, SAT started requesting the submission of the Transfer Pricing Study for the year 2020, for which taxpayers have a term of 20 business days for making such filing.

in line to the above, it is important for taxpayers to note that SAT has started sending additional information requests related to Transfer Pricing Studies, in these new requirements, SAT does not grant the 20 day period indicated by the Tax Law Update, Decree 10-2012 and its amendments, instead, the period of 3 business days following the notification according to article X of the Tax Code Decree 6-91 and its reforms applies.

Next, we share the most recurring points that SAT has been including in the additional information requirements notified to taxpayers:

- Additional information for the comparability analysis and functional analysis carried out by the taxpayer to reach the conclusion of the economic analysis,
- Strategy for the search for comparable companies in the databases consulted,
- Financial Statements of the comparable companies that were used in the comparability analysis,
- Supporting documentation that validates the transfer pricing method used and the profit level indicator selected.





It is worth noting that, in the event that taxpayers do not submit the information requested by SAT within the established term, they would be committing the offense of resistance to oversight actions. According to article 93 of the Tax Code, the taxpayer would then be subject to a fine equivalent to one percent (1%) of their gross income obtained during the last monthly, quarterly, or annual period declared under the regime of the tax being overseen.

The increasing importance of Transfer Pricing in the SAT's oversight activities is evident, which is in line with the global trend that shows that the most important tax issue currently affecting tax administrations and business groups that operate in two or more countries is precisely the valuation of transactions between related parties.

We recommend being prepared with the information that SAT may require, and of course, if you need support, you can contact our contacts. Our specialized team in Transfer Pricing is available to support you with all your needs.

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