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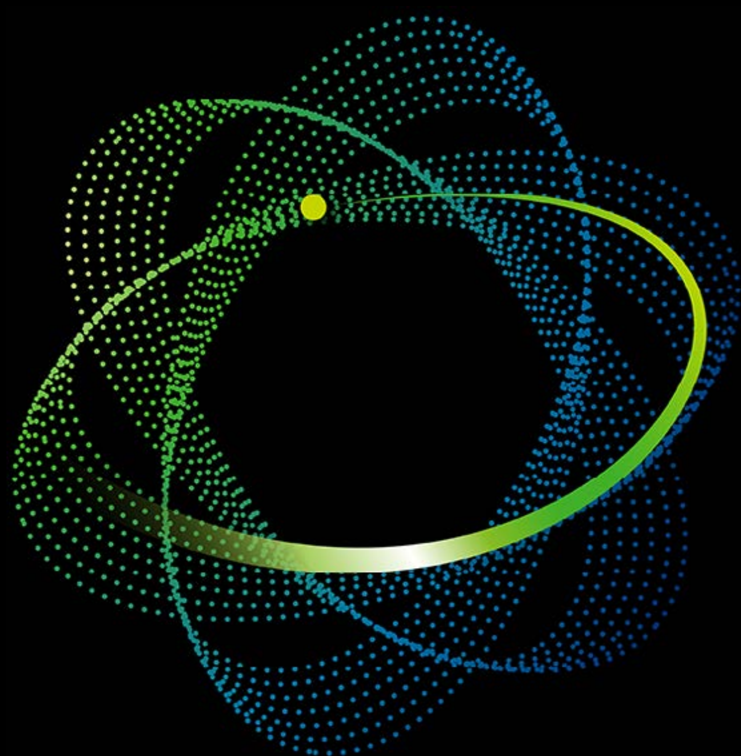

Transfer Pricing News

How to avoid Transfer Pricing contingencies prior to the year-end close? Carrying out the preliminary analysis, benefits, and importance

In recent years, Transfer Pricing regulations have been one of the most relevant tax matters for multinational groups. Compliance with these regulations has been gradually increasing because since 2016, the Supertintendencia de Administración Tributaria – SAT has requested the submission of the Transfer Pricing Study from various taxpayers from all economic sectors of the country.

Let us remember that the purpose of the Transfer Pricing Study, in addition to complying with what the law establishes, is to demonstrate to the tax authority that the transactions performed with non-resident related companies comply with the arm's length principle.

In this respect, we recommend that companies adopt measures prior to the year-end close to lessen any existing effects and/or potential risks that may exist in Transfer Pricing matters. Among such measures, we suggest performing a preliminary analysis of the transactions between related companies prior to the end of the 2022 fiscal year.

Normally, this analysis is prepared with partial financial figures, and a cutoff as of September or October, so that any conclusion and/or adjustment resulting from the transfer pricing analysis can be done within the accounting period, and thus avoid possible contingencies for the taxpayer in the determination of the Income Tax and / or other obligations, mainly since in Guatemala the way to make adjustments is not clearly regulated, that is, if only at the Annual Income Tax Return, or in accounting books, etc.

Due to the above, performing a preliminary Transfer Pricing analysis using figures from partial closings could be a useful tool that could generate an overview and projection of the companies' results at the end of the year, both for the taxpayer's management and its external auditors, since it provides a good indication of the company's compliance with Transfer Pricing regulations.

In addition, we should keep in mind that the figures of the Transfer Pricing Study must coincide with the information provided in the Annual Income Tax Return and the Financial Statements Audit. Therefore, we must not view the external audit and the Transfer Pricing Study as processes that are unrelated to each other. Since some taxpayers have received additional requirements from the SAT in which the Tax Administration has cross-referenced information presented in the Transfer Pricing study, Annual Income Tax Return and the company's audited Financial Statements.

Due to the above, performing a preliminary Transfer Pricing analysis using figures from partial closings could be a useful tool that could generate an overview and projection of the companies' results at the end of the year, both for the taxpayer's management and its external auditors.

Our experts:

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Mario Coyoy

Centralamerica Transfer
Pricing Leader Partner
mcoyoy@deloitte.com

Mónica Och

Manager
Transfer Pricing
mroch@deloitte.com