

Breaking Tax News

Amendment to Decree on transfer pricing reports

In contrast to our monthly Tax News+, in our Breaking Tax news you will be informed immediately of regulatory changes affecting your business but without commentary by our experts.

This newsletter will inform you of **amendment to Decree** no. 22/2009. (X. 16.) of the Finance Ministry on the **Reporting Obligation related to the Calculation of Arm's Length Prices** ("PM Decree") **as announced on 18 June 2013**. The PM Decree **clarifies the wording of the law** at several sections, **resolves former ambiguity in the interpretation** of the law, and also **eases particular rules**. Below we have outlined a few important changes.

The reporting obligation will not apply to deliveries whose value is below HUF 50 million calculated at arm's length prices without VAT in the tax year concerned. It means that the threshold applies to annual values.

Furthermore, taxpayers will be exempted from the TP reporting obligation in the case of transactions covered by an APA ruling in the tax year of filing the request, in the preceding period, and, until the end of the tax year in which the APA ruling expires.

According to the amendment, in the case of cost recharge to several parties of transactions otherwise not subject to the TP reporting obligation, taxpayers will be required to prove that the method adopted for the division of the costs is in line with the arm's length principle.

The amendment further defines at what exchange rates it will be necessary to determine the HUF value of payments made in foreign exchange.

According to the modified PM Decree, the arm's length price of transactions qualifying as low added value services between related parties will be the price determined using the cost plus method and a 3-10% mark-up instead of the previous 3-7%. To extend the applicability of the simplified reporting obligation, the decree clarifies at several points the scope of services and related applicability criteria.

If you have any questions or comments concerning the above, please contact one of our tax experts:

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