Slovakia: Transfer Pricing in 2016

Transfer pricing is a method how to determine prices for transactions – as for example sale of goods or provision of services, provision of loan or credit and others – between related parties for tax purposes in the way they are in compliance with arm´s length principle.

WHICH SUBJECTS ARE OBLIGED TO KEEP DOCUMENTATION?

Foreign related parties
that are engaged in transactions with each other

Domestic related parties
that are engaged in transactions with each other - applicable since 1.1.2015

Language of the documentation

Slovak language
However, the tax authority may upon request agree with other language.

Obligatory content of documentation

Based on the minimum obligatory context we distinguish:

1. full documentation,
2. basic documentation
3. and simplified documentation.

The simplified documentation can be used by self-employed and SMEs if certain conditions are met.

WHEN THE DOCUMENTATION HAS TO BE SUBMITTED?

If you carry out controlled transactions with same members of group on regular basis, and there are no factors that may influence the determination of prices, you can refer to the documentation for the last period.

Deadline for submission of the documentation is within 15 days of tax authority´s request

Tax authority can ask taxpayers to provide the transfer pricing documentation in justified cases at any time, i.e. not only during the tax inspection. Therefore, we recommend to prepare the documentation at the same time controlled transactions between related parties are carried out.

For every taxable period

WHAT PENALTIES CAN BE IMPOSED?

Up to 3 000 EUR
For non-compliance with the transfer pricing documentation obligations, i.e. for breach of a non-monetary obligation

+ adjustment of tax base

The taxpayer can be penalized
up to 11 years
The tax authority can impose a penalty up to 10 years after the end of year, in which the obligation to submit a tax return has arisen, i.e. tax return can be a subject of tax inspection during 11 years.

WHAT METHODS CAN BE APPLIED?

Traditional methods and other methods according to he OECD Guideline can be used
Principle of the best method shall be applied
Also combination of more methods is possible

Comparable uncontrolled price
Used mainly for transactions with tangible and intangible assets and financial transactions

Resale price method
Used mainly for distributors of products

Cost plus method
Used mainly for transactions related to manufacturing and sale of semi finished products/ finished products which do not include high added value

Profit split method
Suitable for very integrated transactions when the parties contribute in a unique way or they possess valuable tangible asset

Net margin method
Mainly for comparable transactions that significantly differs in functions. Data about gross margin are not reliable.

ADVANCED PRICING AGREEMENTS

You can ask the tax authority to issue a decision on approval of a particular method of transfer pricing at least 60 days before the beginning of the tax period during which the approved method shall apply. By this way, you can verify if you have proceed correctly and if the proposed setting of price charged for controlled transactions is in compliance with the arm´s length principle.

Request for unilateral APA
Min. 4 000 EUR
Max. 30 000 EUR

Request for multilateral APA
Min. 5 000 EUR
Max. 30 000 EUR

APA validity
Up to 5 years
(possibility of extension if conditions remain unchanged)

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