

# No two benchmark analyses are of equal value

What is it so significant to have a qualitative transfer pricing analysis?

Transfer pricing analyses are not only a **mandatory** but also the **most significant** element of TP documentation. Notably, a **multi-million upward adjustment** is a threat not only in the absence of transfer pricing analyses, but also when the analyses held by the taxpayer are of low quality and do not fulfil their purpose.

In principle, analyses are valid **for 3 years**. Thus, the vast **majority of benchmark analyses** prepared as a result of the introduction of the benchmark obligation for 2017 or 2018 **are expiring this year**.

Therefore, we recommend that you should have your benchmark analyses verified to make sure that they are still valid and have been prepared correctly.

## It is quality that counts

The purpose of a transfer pricing analysis is to substantiate the arm's length nature of related-party transactions. A low-quality analysis, which only meets the formal requirements set forth in the regulations, may be insufficient to protect your company against the negative consequences of having the market nature of the transaction challenged by the tax authorities.

It is very important to have the analysis prepared in a reliable manner - so that it constitutes **an adequate safeguard in case of a potential tax audit**.

## Why is it important?



**Source of knowledge:** a qualitative transfer pricing analysis provides information on the marketability of the transaction terms and conditions already applied or just being planned.



**Security:** a well-prepared analysis is the basis for executing and subsequently submitting a transfer pricing documentation statement. **Penalties for incorrectly or unreliably prepared analysis amount to almost PLN 27 million!**



**Certainty:** a qualitative analysis is an adequate safeguard in case of a tax audit, reducing the risk of upward adjustment of the tax.

## What should you pay attention to?

Transfer pricing analyses may be prepared in various forms, depending on the type of transaction under review and the availability of benchmark data. Regardless of the type of analysis, though, **special attention** should be paid to:

- proper identification of **the functional profile** of the transaction parties,
- appropriate **selection of benchmark entities** (including not only database information, but also actual verification of activity on the websites of individual entities),
- reliable **documentation of the analysis conducted**, and assumptions made (very important in case of tax audits which may be conducted even for the period of 6 past years),
- **exclusion of related entities** from the analysis.

It also pays to make sure that the analysis prepared based on specialized external databases used by tax authorities during tax audits.

## How can we help you?

We will prepare transfer pricing analyses (benchmarking / compliance analyses) that will help the market level of remuneration to be determined or verified for various types of intra-group transactions (services, goods, financial, licensing, etc.).

Our qualitative analyses will give you a sense of certainty and security when signing and submitting a declaration on the preparation of transfer pricing documentation and marketability of prices applied between related entities.

## Contact us



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