



# COVID-19 impact – potential transfer pricing risks related to 2021

Tax Newsflash  
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During 2021 the COVID-19 pandemic had a significant impact on almost every aspect of our day-to-day lives and resulted in significant economic impact as a result of which many companies must consider its impact on tax and transfer pricing positions in order to minimize potential negative tax implications.

Some of potential risks associated with related party transactions and transfer pricing in respect of the 2021 year include the following:

**Reduced profitability or loss** – companies which had transactions with related parties and generated reduced profitability or incurred a loss could have significant risks from the transfer pricing perspective. How can such a company defend transfer prices applied in 2021?

**Clauses in agreements** – in case of reduced profitability or a loss in 2021, do existing agreements with related parties provide for the possibility of making transfer pricing adjustments?

**Changes in interest rates** – have interest rates in loan agreements with related parties changed in 2021 so they are not in line with the prescribed tax deductible interest rate? If so, how to sustain tax deductibility of interest rates applied in 2021?

**Changes in business models** – did the model of transactions with related parties change, resulting in reduced profitability or a loss for the local company? Is it possible to appropriately justify such a change in business model?

Tax inspections in future years will focus on transactions with related parties and resulting implications in “pandemic” years so it is of utmost importance to structure related party transactions, draft and retain supporting documentation and prepare a transfer pricing study for 2021 by the time annual corporate profit tax return for 2021 is due for submission in order to ensure that transactions with related parties will not give rise to adverse tax implications.

***Now is the right time for you to contact us to organize a complimentary face-to-face meeting or a video meeting to discuss your company’s position in the year 2021 with respect to transactions with related parties and assess if we can help your company with the preparation of appropriate transfer pricing documentation for the year 2021 and justifying transfer pricing positions taken.***

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