

# Transfer Pricing Alert

KPMG IN POLAND

November 2015

## The President has signed amendments to the transfer pricing regulations

**On 27 October, the President signed amendments to the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts. These amendments introduce significant changes to the rules governing the relationship between related parties.**

### The most important changes

- An increase of the capital relations threshold between two entities within the meaning of the transfer pricing regulations to 25 per cent.
- Changes concerning transfer pricing documentation, which include:
  - The obligation to prepare transfer pricing documentation will be dependent on the fulfilment of two criteria, i.e. the revenues criterion and the criterion of significant influence of the transaction/other event on the level of taxpayer's income (loss).
  - The tax authorities may request documentation to transactions/other events which did not exceed the specified thresholds. The deadline for submitting the documentation will be 30 days from the date of delivery of the request. In other cases the documentation will have to be delivered within 7 days

from the day of receipt of the request (in accordance with the current rules).

- Taxpayers whose revenues or expenses in the year preceding the tax year exceed EUR 10,000,000 will be obliged to prepare a comparable analysis (i.e. benchmarking study).
- Taxpayers whose revenues or expenses in the year preceding the tax year exceed EUR 20,000,000 will be additionally required to provide information about the group (a so-called master file).
- New obligations of taxpayers:
  - Taxpayers that are obliged to prepare transfer pricing documentation will be obliged to submit to the tax authorities a statement confirming that the complete documentation was drawn up.
  - Taxpayers whose revenues or expenses, as defined by the accounting regulations, exceed the equivalent of EUR 10,000,000 and that are obliged to prepare the transfer pricing documentation will be also obliged to attach to the tax return a simplified report on related party transactions ("CIT-TP" form).

- Domestic entities whose consolidated revenues, as defined by the accounting regulations, exceeded in the year preceding the tax year the equivalent of EUR 750,000,000 will be required to prepare and submit to the tax authorities a report on the amount of income and tax paid and the places of business activity of its subsidiaries and foreign establishments ("CIT-CBC" form).

### Entry into force

The new transfer pricing regulations will enter into force as of 1 January 2017.

The exception is the regulations concerning the obligation to prepare the CIT-CBC report – these provisions shall apply from the fiscal year commencing after 31 December 2015, with the restriction that for the fiscal year beginning after 31 December 2015, but not later than 1 January 2017, the obligation to prepare the CIT-CBC report arises if the consolidated revenues, as defined by the accounting regulations, exceeded the equivalent of EUR 750,000,000 for this fiscal year.

If you wish to discuss the impact of the regulation changes on the situation of your company, please contact us.

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