

November 2008

## Introduction of transfer pricing documentation rules regarding inter company transactions

**This is part of our continuous effort to keep you updated on current tax developments.**

Following an amendment to the draft law entitled "Market Supervision Authority and other provisions" submitted to parliament, rules are being introduced for auditing transfer pricing in inter company transactions. The rules are based on the OECD arm's length principle.

According to this principle, the same or similar terms must apply to transactions between affiliated companies (defined in article 42e of Law 2190/1920) as if the transaction had taken place between unrelated parties under similar market circumstances.

All forms of companies operating in Greece (including branches of foreign companies) are obliged to prepare a transfer pricing documentation study consisting of the following files:

- a. the "Basic Documentation File" for group companies which have a Greek parent company and,
- b. the "Greek Documentation File" for Greek subsidiaries of foreign group

companies and for foreign companies operating under any type of entity or form in Greece.

The Basic and the Greek Documentation Files must contain information regarding the invoicing policy of the group and the OECD transfer pricing documentation method that the group follows in its inter company transactions. The detailed information of the files, the methods to be used and the auditing procedure will be determined by a relevant decision to be issued by the Ministry of Development.

The above files must be provided to the competent authorities of the Ministry of Development within 30 days of the relevant request.

Moreover, group companies must submit a list detailing information (number and value) of their inter company transactions to the Ministry of Development annually within four months and fifteen days from the end of their financial period.

Exemption from the above obligations is provided for:

- a. companies which operate under any form in Greece and have an annual turnover of up to EUR 1 000 000 (once they exceed this amount for 2 consecutive years they are no longer exempted) and
- b. contracts between affiliated companies for less than EUR 200 000 annually.

In case companies do not abide by the above obligations, the following fines will be imposed:

- a. a one off fine equal to 10% of the value of the transactions for which the documentation file was not submitted to the authorities or for which the list of inter company transactions was not submitted in due time,
- b. administrative fine, as provided in paragraphs 7 and 14 of article 30 of the Market Code, and
- c. notification to the competent tax authorities for the imposition of tax penalties, in case the company did not comply with the OECD arm's length principle.

According to the amendment to the draft law the above provisions will apply to financial periods ending after the law comes into force.

KPMG has extensive knowledge on the above issues and may advise on issues relating to inter company transactions between affiliated companies and help you with the preparation of the files and the submission of information.

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This Newsflash aims to provide the reader with general information on the above mentioned matters. No action should be taken without first obtaining qualified professional advice specifically relating to the factual circumstances of each case.

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