

## FM SETS TRANSFER PRICING AUDITS AS ONE OF ITS 2016 PRIORITIES

On 18 December 2015, the Finance Ministry (FM) released their transfer pricing action plan for 2016.

According to FM's website, auditing transfer prices for compliance with the arm's length principle will be one of the priorities for tax administration in 2016. Audits are expected to focus primarily on purchase costs incurred by Polish taxpayers in transactions with their foreign associates, including especially those involving services and intangibles.

FM announced implementation of organisational changes and allocation of appropriate resources in the nearest future to enhance their audit efficiency. FM's plan is another step in a series of measures intended to provide for tighter revenue controls and prevent cross-border profit transfers.

Taxpayers engaging in related party transactions that are not at arm's length are encouraged by Polish FM to adjust their tax returns for periods between 2011 and 2015 until the end of first quarter 2016. Those who do so will be rewarded with a preferential rate of default interest at half the standard rate.

FM announces that all transactions made by Polish taxpayers in late 2015 will be audited already in second quarter 2016. Therefore, we advise those taxpayers whose group transfer pricing policies require end-of-year pricing adjustments to achieve specific margin levels (e.g. toll manufacturers adjusting their budgeted costs to reflect actual expenses) to take immediate action to ensure they have a transfer pricing documentation that conforms with Article 9a CIT Act and properly evidences compliance with the arm's length principle.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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