

NEWSLETTER | TRANSFER PRICING

- DOCUMENTATION REQUIREMENTS
- FILING DEADLINES
- POSSIBLE SANCTIONS BY THE TAX AUTHORITIES

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Since 2025, and with retroactive effect, the filing deadlines for transfer pricing documentation have been tightened. We already provided information on this in a newsletter at the end of 2024.

Below is a brief overview of transfer pricing documentation requirements, in particular which documents must be submitted to the German tax authorities and within what deadlines.

Our recommendation:

- From 2025 onwards, the documents to be submitted within 30 days as part of a tax filed audit should be prepared on an ongoing basis as part of the preparation of annual financial statements or tax returns.
- The documentation for previous years should be prepared promptly.

This includes in particular:

- The transaction matrix (overview of business transactions)
 - Documentation of extraordinary business transactions
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1. New submission requirements

Without separate request and within 30 days of notification of the audit announcement, the following documents must be submitted:

- **Transaction matrix (overview of business transactions), including**
 - subject matter and type of business transactions,
 - the parties involved in the business transactions, identifying the service recipient and service provider,
 - the volume and remuneration of the business transactions,
 - the contractual basis,
 - the transfer pricing method applied,
 - the tax jurisdictions concerned and
 - whether business transactions are not subject to standard taxation in the relevant tax jurisdiction.
- **Master file / master documentation**
 - Overview of the nature of the group's global business activities
 - Systematic and methodology for determining transfer prices
 - To be submitted only if the size categories are exceeded = over EUR 100 million turnover
- **Documentation of extraordinary business transactions**
 - Additional note!
 - Timely preparation is required = within six months of the end of the financial year in which the business transaction took place.

WHAT PENALTIES APPLY FOR NON-COMPLIANCE:

- If these documents are not submitted within 30 days, a surcharge of EUR 5,000 will be imposed.
- In addition, it is to be expected that the tax authorities will promptly request comprehensive transfer pricing documentation (local File).

2. Transfer pricing documentation (local file); Documentation of facts and circumstances and documentation of appropriateness of the transfer prices used

2.1 Contents of the local file / transfer pricing documentation:

- **General company information**
 - Description of the company (business activities, organisation, shareholder structure, group affiliation).
 - Description of business activities in the relevant financial year.
 - Industry and market information.
- **Organisational structure and business transactions**
 - Overview of the companies' organizational and operative group structure.
 - Description of significant business transactions with related parties.
 - Contractual relationships (e.g. licence, loan, supply and service agreements).
- **Function and risk analysis**
 - Analysis and documentation of the functions and risks assumed by the companies involved.
 - Use of significant economic assets (e.g. intangible assets, property, plant and equipment).
- **Transfer pricing methods and analysis**
 - Documentation and justification of the selected transfer pricing method.
 - Comparative data and analyses (internal or external third-party comparison data).
 - Documentation of price ranges and justification of the appropriateness of prices.
- **Financial information**
 - Annual financial statements and business analyses.
 - Allocation of business transactions to financial data.
 - Segment information, if relevant.
- **Other information**
 - Changes compared to previous years.
 - Relevant agreements with tax authorities (e.g. advance pricing agreements, if applicable).

2.2 Filing deadlines:

- The tax authority **may request** the transfer pricing documentation/local file **at any time**.
- The records must be submitted **within 30 days** of the request.

**WHAT PENALTIES APPLY FOR NON-COMPLIANCE:**

If the transfer pricing documentation/local file is not submitted upon request by the tax authorities or is unusable, the following applies:

1. It will be presumed, subject to counter-evidence, that the taxpayer's taxable income in the country is higher than the income declared by the taxpayer.

Result: The tax authorities can estimate and make full use of the estimation range.

2. Imposition of a **penalty surcharge**

a. without submission or if the documents are unusable

- at least EUR 5.000
- at least 5 % and at most 10 % of the additional income
- max. EUR 1.000.000

b. in the event of late submission of usable documents

- minimum EUR 100 / Tag
- max. EUR 1.000.000

3. Recommendation

Past years:

We recommend the preparation of at least the following documents/documentation on an ongoing and timely basis and be able to present them for all years that are still possibly subject to tax audit.

Future years:

Prepare the documents annually as part of the preparation of the annual financial statements or the preparation of tax returns.

- **Transaction matrix**
- **Master file / master documentation (if the turnover is > EUR 100 million)**
- **Documentation of extraordinary business transactions**

Please contact us if you would like us to assist you in preparing the transaction matrix and/or documentation on extraordinary business transactions.

- **In addition, we recommend to be prepared and to be able to prepare comprehensive transfer pricing documentation / local file within 30 days should it be requested by the tax authorities.**