



Deloitte Georgia's transfer pricing team with substantial practical experience in developing and implementing transfer pricing solutions for Georgian and international companies across various industries will serve your needs.

### General overview of Georgian Transfer Pricing regulations

In December 2013 the Minister of Finance of Georgia signed Order No. 423 that regulates transfer pricing issues in international controlled transactions.

The Georgian transfer pricing rules are based on OECD 2010 Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and are applicable to cross border transactions between a Georgian resident company and:

- A related party foreign company;
- A resident of a safe harbor/off-shore country, regardless of whether they are related enterprises or not.

### Types of intercompany transactions:

Most intercompany controlled transactions can be grouped as follows:

- Goods (tangibles)
- Services
- Intellectual property (intangibles)
- Financing.

### Importance of Market Principle:

According to the Georgian transfer pricing rules the amount charged by one related party to another for supplied goods/ services must be the same as if the parties were not related.

### Transfer pricing documentation requirements

The tax authorities have the right to check the reasonability of the pricing of the controlled transactions and require the transfer pricing documentation from a taxpayer subject to the transfer pricing regulations.

Transfer pricing documentation prepared according to the Order No. 423 of the Minister of Finance of Georgia should be maintained for all controlled transaction and should be presented to the Revenue Service of Georgia within 30 calendar days from the day of their request in Georgian or English language.

### Who can benefit with Deloitte transfer pricing solutions?

#### Companies that:

- Participate in cross-border transactions with related parties and the companies registered in low tax jurisdictions
- Are interested in complying with the transfer pricing regulations governing the preparation of transfer pricing documentation
- Have complex corporate structures and intragroup contractual relations
- Are interested in establishing tax functions for effective, compliance-oriented, transfer pricing management
- Seek to minimize tax risks by regulating prices in intragroup operations
- Wish to avoid the risk of double taxation and additional tax liabilities (taxes, penalties and fines)
- Are interested in effectively allocating the functional duties between employees involved in transfer pricing processes and in the optimization of tax function costs

### Why now?

- Transfer pricing is a key feature of intragroup operations and getting it wrong can lead to material tax consequences
- Companies are facing increased attention from the tax authorities as regards compliance with the transfer pricing requirements
- In the globalized modern economy and with increased attention from tax authorities towards intragroup operations, companies must follow a market approach towards transaction pricing for the purposes of tax compliance
- Having regulated transfer pricing processes in place is essential to avoiding uncontrolled transfer price setting which could lead to misstatements in financial reporting, additional tax expenses and material corrections at year-end
- Drawn-out tax disputes on transfer pricing issues could lead to significant disruptions to management and affect the company's reputation
- Georgia is actively participating in the Action Plan on Base Erosion and Profit Shifting (BEPS), introducing laws on transfer pricing aimed at increasing the transparency of corporate operations

### The advantages of a Deloitte solution

- Deloitte takes an individual and client-oriented approach towards each engagement
- Deloitte has substantial practical experience in developing and implementing transfer pricing solutions for Georgian and international companies
- Deloitte's solutions are always geared towards the specific needs of the industries in which our clients operate
- The quality of Deloitte's services corresponds with global best practices and standards. The Deloitte offices around the world work in close collaboration to develop the best solutions for each client
- Deloitte has a wide range of best practices and templates, including template transfer pricing documentation, template intragroup controlled transaction disclosure requests, and template requests for interest rates that comply with the legislative requirements, etc.

### Compliance

- Preparation/update of transfer pricing documentation for all types of controlled transactions
- Preparation of benchmarking studies and transfer pricing memorandums
- Transfer pricing solutions for complex financial transactions
- Assistance in the preparation of country-by-country reporting

### Planning and implementation

- Development of transfer pricing methodologies for various kinds of intragroup transaction
- Assessment of the efficiency of transaction flows from the perspective of transfer pricing
- Structuring of intragroup agreements taking into account actual supply chains
- Assessment of companies' transfer pricing status and analysis of its suitability and possibilities for improvement



### Monitoring

- Consulting on transfer pricing functions and business processes
- Preparation of transfer pricing monitoring reports

### Dispute resolution

- Support during transfer pricing audits
- Preparation of transfer pricing appeal and representation in the Ministry of finance and court
- Development of defense strategy
- Support during mutual agreement procedures with the tax authorities



# Our team



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