



Tax Newsletter

Timely news and information on national tax issues

Documentation and transfer pricing policies as planning measures



In recent years, the global economy has been affected by multiple contextual factors, whose impact has varied in each industry. COVID-19 seemed to be the trigger of the start of a recession that at the time, given the lack of information and uncertainty, presented a challenge for business groups, in terms of knowing and quantifying the results stemming from decision making in the markets where they operate. In many cases, actions were taken that allowed for mitigating an adverse position following certain measures or barriers that were imposed, such as the closing of borders and mobility restrictions, among others.

Due to the lack of guidelines on how to face a crisis such as the one posed by the pandemic (from a transfer pricing perspective), entities such as the Organization for Economic Cooperation and Development (OECD) issued guidance so that taxpayers and tax administrations could evaluate the application of transfer pricing rules for the periods affected by the pandemic

(such as, the *“Guidance on the transfer pricing implications of the COVID-19 pandemic”*). In this vein, if as result of the measures taken by the business group, actions were applied between related companies that implied a transfer pricing analysis, it is recommended to have a **“Tax file”** that includes the transfer pricing study within the documentation, as well as other supporting documentation that justifies any accuracy or comparability adjustment applied.

This Tax File should have the compilation of technical information that justifies any transfer pricing considerations in transactions between related companies that have been made as a result of the pandemic (financial transactions, differentiated pricing, and waiving of royalty payments, among others).

Having the compilation of the historical information on a relevant event such as the one that occurred, in addition to supporting any measure adopted, could be used for strategic planning in commercial opportunities and action plans for facing potential future crises.

A comprehensive transfer pricing policy would allow business groups to maximize the use of their available resources in each jurisdiction where they operate. Some of the intragroup policies most commonly applied are:

- **Financing:** Given a company’s need for funds, it could be viable to opt for financing between related companies, applying market conditions that an independent third party would offer.

- **Intragroup services:** When a company of the group has the qualified personnel and available resources, business groups could consider the centralization of certain activities in one or more companies of the group, thus allowing it to focus on operating activities that produce a profit.
- **Cost Contribution Arrangement (CCA):** Under this framework, there is a contractual arrangement between related companies that allows them to share the contributions and risks involved in the joint development, production or obtaining of services with the understanding that these are expected to create benefits for the individual businesses of each of the participants.

In the adoption and construction of transfer pricing policies, business groups should consider that they must comply with the regulatory requirements of each jurisdiction where they operate, founded on a technical methodology based on the transfer pricing guidelines of the OECD.

More information:



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Tax Calendar

April 2023

Use our [2023 Tax Calendar](#) to keep informed about:



Tax Obligations before the Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations



Payroll Management Obligations

April 2023

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	14
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

To learn more about **April's** obligations:



Download the 2023 Tax Calendar

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