



NEWS INTERNATIONAL

E-MAIL NEWSLETTER
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Dear Sir/Madam,

The tax framework conditions for internationally operating companies are constantly changing, with cross-border transfer prices playing an important role in this context.

The Italian Ministerial Decree of 14 May 2018 published appropriate guidelines for the application of transfer pricing between internationally affiliated companies.

Said Decree contains definitions and basic rules, most of which have been taken from the OECD Guidelines. In particular, the following principles have been established:

- the personal scope of related parties is defined;
- the principles of comparability of intra-group transactions and arm's length transaction are pointed out, taking into account the following comparative factors: the contractual terms, the functions performed, the assets used and the risks assumed, the product characteristics, the market environment and the business strategies;
- the transfer pricing methods according to OECD Guidelines and the selection of the most appropriate transfer pricing method for the circumstances of the case are presented;

- for low-value adding services, there is the possibility of choosing a "simplified approach", applying a 5 % mark-up to all costs (without further proof of the arm's length nature of the mark-up based on a benchmark analysis). Services are low value adding if they are supportive in nature, not part of the group's core business, not dependent on or not contributing to unique and valuable intangibles and if they do not involve substantial or significant risk for the service providing entity.

Due to the increasing awareness of the Italian tax authority in terms of transfer pricing, it is advisable to consider the above principles when establishing transfer prices. Furthermore, it seems reasonable to prepare a complete transfer pricing documentation in order to benefit from the penalty protection provided by the Italian legislature.

We would be pleased to advice and support you in this respect.

Best regards

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Company presentation

HAGER&PARTNERS

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We advise companies operating in a wide range of industries (manufacturing, fashion, energy and infrastructure, investment funds and banks, real estate, food and beverage, transport and logistics, etc.) and individuals on all Italian and international tax law issues.

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