



Dear Client,

The recently published tax laws contain important changes regarding transfer pricing.

A **new transfer pricing reporting obligation has been introduced** to tax laws this summer, and the Ministry of Finance's draft transfer pricing decree issued on December 9 this year provides details on the new reporting obligation, as well as which information must be provided **in the corporate tax return**.

- The reporting must be prepared on a **transaction-by-transaction** or a consolidated transaction **basis**.
- The information must include, among other things, **the characterisation of the transaction, the most relevant TEÁOR code, the transactional value, certain administrative data pertaining to the involved parties, the transfer pricing methodology and indicator selected, and the arm's length price or price range**.
- The transactions covered by the reporting obligation may be **broader** than those transactions with documentation obligation.
- The transfer pricing reporting obligation in the corporate income tax return **applies at the earliest to returns filed after 31 December 2022**.

The reporting obligation is expected to help the tax authorities select more efficient and targeted transfer pricing and comprehensive audits, and therefore the accuracy of the data provided will be particularly important.

In addition to the above, significant changes to transfer pricing documentation rules are expected as follows:

- The HUF 50 million transfer pricing documentation threshold is expected to be **increased to HUF 100 million**.

- The penalty for not preparing transfer pricing documentation or for incomplete transfer pricing documentation will be increased to **HUF 5 million per transaction**, and an additional HUF 5 million may be imposed for a missing or inadequate Masterfile.
- In the case of intra-group services, more detailed information should be presented regarding the pricing of such transactions than before (for example, on cost allocation methodology, cost allocation keys, etc).

The transfer pricing reporting obligation is based on the local transfer pricing documentation covering the financial year; therefore, timely preparation of the documentation is an essential part of the reporting obligation.

This change means it is particularly important that the necessary data for the preparation of the transfer pricing documentation be made available in sufficient time in order to fulfill the transfer pricing reporting obligation in the corporate income tax return.

How can we help?

Please do not hesitate to contact us if you have any questions regarding the above-mentioned new reporting obligation or the transfer pricing documentation requirements.

Contact us



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