



# Transfer pricing between associated parties

Tax obligations, risks and  
recommendations

2016

# 1. Tax obligations regarding transfer pricing



## Transfer pricing documentation:

- ✓ Mandatory for the companies whose total turnover is over 2,9m EUR

## Disclosure (Income tax declaration annex FR0528):

- ✓ Mandatory if the transaction/group of transactions or a loan exceeds 90k EUR

## Market price:

- ✓ Mandatory to conclude all transactions at market prices („Arm’s length“ principle)
- ✓ Tax Authorities have legal instruments which allow correcting the transfer prices (Profit Tax Law Article 40, Part 2, Personal Income Tax Law Article 15, Part 2)

## 2. Sanctions and risks for non-compliance



### Absence of transfer pricing documentation:

- ✓ 30 days term for submission
- ✓ If not submitted – possible fine from **1,4k to 4,3k EUR** (from 2016-04-01).

### Non-compliance with disclosure obligation

(Not submitted Profit tax declaration annex FR0528):

- ✓ If not submitted – possible fine **from 150 to 300 EUR** (from 2016-04-01).

### Non-compliance with market prices:

- ✓ **Fines - 10-50%** of the amounts of unpaid taxes, + late payment interest – 0,03%/day.
- ✓ Periods of possible tax audit – current year and five last years.
- ✓ Tax Authorities are professional and competent enough to successfully challenge transfer pricing (e.g., 2013-08-26 „Melesta“ case before the Supreme Administrative Court – > 1,1m EUR additional tax liabilities due by the taxpayer)

### 3. TaxCube recommendations on transfer pricing



#### TaxCube recommends:

- ✓ To carry out a review of transactions between associated parties
- ✓ To identify the most significant and the riskiest transactions
- ✓ Regarding the riskiest transactions, prepare transfer pricing documentations and/or gather other supporting documents
- ✓ If necessary, prepare transfer pricing policies for the future and agree them in writing with the Tax Authorities (via the Advance Pricing Agreement or APA, mandatory for the Tax Authorities for 5 years)

#### Benefit to the Taxpayer:

- ✓ **Managed tax risk** (saved amounts of additional Profit Tax liabilities, 10-50% penalties, 0,03%/day late payment interest)
- ✓ Prevented damage to the client's reputation

## 4. TaxCube contacts



Partner | Attorney at Law

Andrius Andrikonis

M +370 614 17778

[a.andrikonis@taxcube.lt](mailto:a.andrikonis@taxcube.lt)



**TaxCube**  
Aušros Vartų St 16-2  
LT-02100 Vilnius

