IS A WRITTEN TRANSFER PRICING POLICY A SARS REQUIREMENT?

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Many multinational companies are engaging in intercompany transactions throughout the world in order to increase profits and to take advantage of any tax benefits that may arise. Such transactions have raised various concerns with international Tax Authorities.

It is not yet a legal requirement that a South African company should have a written transfer pricing policy.

However, during July 2016, SARS published a **draft** notice making the retaining of records, books of account and documentation obligatory, where potentially affected transactions are entered into between connected parties. These are transfer pricing transactions as defined in Section 31 of the Income Tax Act, where the aggregate of the taxpayer's potentially affected transactions for the year of assessment exceeds, or it reasonably expected to exceed the higher of-

- **5% (five percent) of the taxpayer's gross income; or**
- **R 50 000 000 (fifty million Rand)**

Increased enforcement by international tax authorities has made transfer pricing a complex issue which needs to be addressed by any multinational organisation. Should you be compelled to comply with the provisions of the Income Tax Act, Exceed and its advisors can assist you in managing your organisation's transfer pricing risk by ensuring compliance and that the correct documentation is in place. For further assistance, please contact Sonja Frank at Exceed.