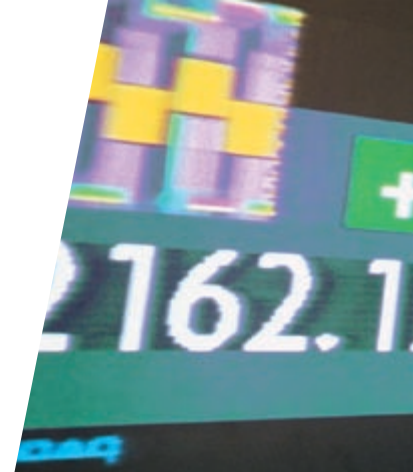


Transfer pricing services



Transfer pricing services

What is transfer pricing?

In the legislation of Kazakhstan, transfer pricing control applies to many transactions that directly or indirectly relate to international business.

The main purpose of transfer pricing legislation is to prevent losses to the state budget resulting from businesses artificially moving profits out of the country. However, transfer pricing legislation will apply whether the move of profits is deliberate, accidental, or incidental to some other perfectly legitimate business objective.

The tax authorities work vigorously to collect all the tax they think may be due from transactions involving

transfer pricing. The tax costs of even a modest price discrepancy can rapidly add up, because a single transfer pricing adjustment will affect all taxes that apply to the transaction in question. The full range of tax fines and penalties will also apply.

Transfer pricing checklist

In Kazakhstan, transfer pricing is applied in more cases than you might think. Take a look at the following checklist. If you answer “yes” to one or more of these questions, or believe your business will answer “yes” in the near future, then you should investigate whether you need a transfer pricing policy and a system for collecting and storing evidence to support your actual pricing:

Key transfer pricing focus areas

If you have transactions involving transfer pricing, or are planning to do so, then it is highly likely that there will be an impact, and getting it wrong – or not being able to prove that you got it right – can have significant consequences. With state authorities scrutinizing transfer pricing issues, it is imperative that companies establish and document the market price of a particular transaction at the time the transaction is executed.

Does your business involve:	Yes	No
▶ Any cross-border transactions – inbound or outbound – involving sale of goods, work or services?		
▶ Any cross-border financing arrangements - inbound or outbound?		
▶ Any wholly domestic transactions involving realization of oil, gas, or hard rock minerals extracted in Kazakhstan by subsoil user that are part of a chain of transactions ending in an export?		
▶ Any wholly domestic transactions that are part of a chain of transactions ending in an export, where one of the parties to the transaction enjoys tax preferences?		
▶ Any wholly domestic transactions that are part of a chain of transactions ending in an export, where one of the parties to the transaction made tax losses in the last two years?		



When evaluating your transfer pricing strategy, ask yourself these four questions:

1. Do I have a transfer pricing policy?
2. If I do, do I know that is it the right one *in today's market conditions*?
3. Is it being effectively and consistently implemented?
4. If challenged, can I prove that my prices are appropriate?

If you have answered no or are unsure about the answers to these questions, then you should act quickly.

Our transfer pricing services

At Ernst & Young, we are committed to helping our clients approach new opportunities with the confidence that their business is well managed and that they are on top of new legislation.

Our experienced Transfer Pricing professionals can guide you through the complexity of legislation and help you make the most of your business opportunities.

Successfully resolving the business and tax issues related to transfer pricing is not simply an exercise in compliance. Transfer pricing can potentially affect the economics of your business and have a major influence on your tax burden. Our international network of Transfer Pricing professionals is available to help you address this challenge.

Our team will take you through a structured, continuous process that is closely tailored to your company's unique needs, helping you to:

- Identify where significant transfer pricing risks exist in your business
- Develop and implement transfer pricing policies you need to address those risks
- Test how effectively transfer pricing policies are being implemented
- Put together appropriate documentation to support the applied prices
- Conclude agreements on application of transfer pricing with the tax authorities
- Test how effectively transfer pricing policies are being implemented
- Help deal with a tax audit and dispute resolution when it happens.

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