

ABSTRACT: ISSUE OF TRANSFER PRICING

Transfer pricing has become, as far as the tax environment is concerned, one of the most important topics in tax planning, both internationally and in the Czech Republic. At the current time, when associated enterprises are using the latest technologies, which help them with their business activities and assist them with the creation of complicated tax structures, often providing them with the most advantageous taxation for the purpose of achieving the highest possible profit, they are facing very well-equipped government revenue services, which have the aim of setting up the most precise control systems, so that profits are not shifted from one country to another. When using technology, it is materially simpler for taxpayers to plan multinational transactions and communicate in their internal communication systems, but on the other hand information technology has substantially helped individual revenue services with the exchange of experience, information and procedures. Revenue services can communicate very well with each other and exchange experience and information, particular in the European Union.

For revenue services it is an absolute priority to have a system adequately set up to determine the transfer pricing rules, based on the arm's length principle. In the Czech jurisdiction, it can be said that usual prices are used for the purposes of determining the income tax base, as defined in Czech tax laws. On the other hand, it is an absolute necessity also for taxpayers to have precision-drafted legal regulations, so that it is very simple to proceed in accordance with them and not commit actions that are in conflict with tax regulations.

The aim of this essay is to take a short excursion into the theory behind transfer prices. It also pays attention to the methods for determining transfer prices. It then places special emphasis on familiarisation with transfer pricing documentation, including a description of an expert's opinion that is part of the documentation and becomes an important annex when assessing transfer prices that is very useful to taxable entities when achieving a method of price creation that leads to the distribution of income and expenditure between related parties. Last but not least, it deals with legal regulations in the Czech Republic, international jurisdiction, and current case law of the Supreme Administrative Court of the Czech Republic as well as case law of the Court of Justice of the European Union.

The aim of the essay is, having read it all, to provide an introduction to the issue of transfer pricing with regard to its use in practice and drawing on basic knowledge with which it is possible to continue to work in the field of tax law, tax planning and corporate financial management.

Key words: transfer prices, related parties, documentation