

## **ABSTRACT: ISSUES OF TRANSFER PRICING**

Transfer pricing is a very discussed topic of recent years, both by tax subjects, tax advisors as well as by tax administrations. This is due to activities of OECD and the European Union in this area, as well as due to increase in number of tax audits focusing on transfer pricing. The key documents are rules issued by OECD in the form of the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, which is being constantly revised and supplemented, the latest revision being issued in 2017.

In the narrower terms, transfer pricing may be defined as prices for transactions between connected (related) parties. In broad terms, transfer pricing may be defined as any and all transactions between connected (related) parties including in particular transfer of goods, providing of services, transfer and other transactions concerning intangibles, cost contribution arrangements and business restructurings, as well as related tax administrations procedures when deciding on tax duty in connection with the transactions performed between the related parties and the transfer pricing documentation.

In the first and second part of this thesis I am outlining the historical progress in activities of OECD in the area of transfer pricing since the first report issued by OECD in 1979 to the present, as well as the activities of the European Union in this area. Further, I am dealing with the general definition of the arm's length principle, the transfer pricing methods as provided for in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2017) and a comparability analysis, which is a key for a correct transfer price setting.

In the third part of this thesis I am dealing with the general legislation in relation to transfer pricing in the Czech Act on Income Taxes, the methodical instructions of the Ministry of Finance of the Czech Republic and the General Financial Directorate and (non)binding nature of these methodical instructions, the role of the courts in the area of transfer pricing judiciary and with other provisions of the Act on Income Taxes concerning transfer pricing in the broader sense, such as thin capitalization rules, investment incentives or reclassification of interest to share on profit.

The fourth and fifth part of this diploma thesis is devoted to intragroup services and historical progress in this area, especially with emphasis on the tax (non)deductibility of the costs

associated therewith and with some types of intragroup according to the OECD documents, the Czech Act on Income Taxes and case law.

The aim of this work is to analyze the current state and historical progress in transfer pricing area at the international level, focusing on intragroup services, evaluation and comparison of the progress in this issue, subsequent analysis of the current legal situation in the Czech Republic and reflection on the further progress in the area especially with regard to insufficient implementation of international rules into national law.