



# TransferPricingNews

**BDO Seidman, LLP**  
Accountants and Consultants

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## ISSUE:

NEW GUIDANCE ON GERMAN TRANSFER PRICING

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## EFFECTIVE DATE:

June 30, 2003

## EFFECTING:

All taxpayers with German-related party transactions

## DETAILS:

As discussed in our July 2003 Tax Alert, Germany introduced transfer pricing documentation regulations with severe penalties for non-compliance. On November 4, 2003 the German Federal Ministry of Finance released new guidance on how to apply the new regulations. The new rules define the scope of ordinary and special documentation required; including detailed description of worldwide corporate ownership structure; description of selected method; analysis of third party comparables; description of substantial intangibles; and functional and risk analysis. The new rules also require disclosure of foreign APA's, business strategies and certain other documents. The documentation must analyze whether the company's transfer pricing policies comply with arm's-length principles. Moreover, the documentation generally needs to be prepared in German language if not otherwise agreed upon with the German tax authorities.

## RECOMMENDED ACTION:

Immediate preparation or review of Transfer Pricing documentation to help ensure compliance.

## HOW BDO SEIDMAN CAN HELP:

BDO Seidman's transfer pricing specialists work closely with our affiliates in Frankfurt and Munich to establish appropriate transfer pricing strategies, policies and documentation systems for our multinational clients. We provide value-added, practical advice for (i) compliance solutions (e.g., documentation studies, advance pricing agreements, and intercompany agreements), (ii) tax planning tools (e.g., intangible holding companies, cost-sharing arrangements, market penetration strategies, and M&A due diligence), and, (iii) for non-attest clients, audit defense services (e.g., tax authority response, dispute resolution, competent authority submissions, and litigation support/expert witness testimony.) We are well versed in the new German regulations, and together with BDO International member firms, we can help resolve some of the uncertainties associated with the new documentation and penalty rules.

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*Material Discussed in this newsletter is meant to provide general information and should not be acted on without obtaining professional advice tailored to your firm's individual needs*

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