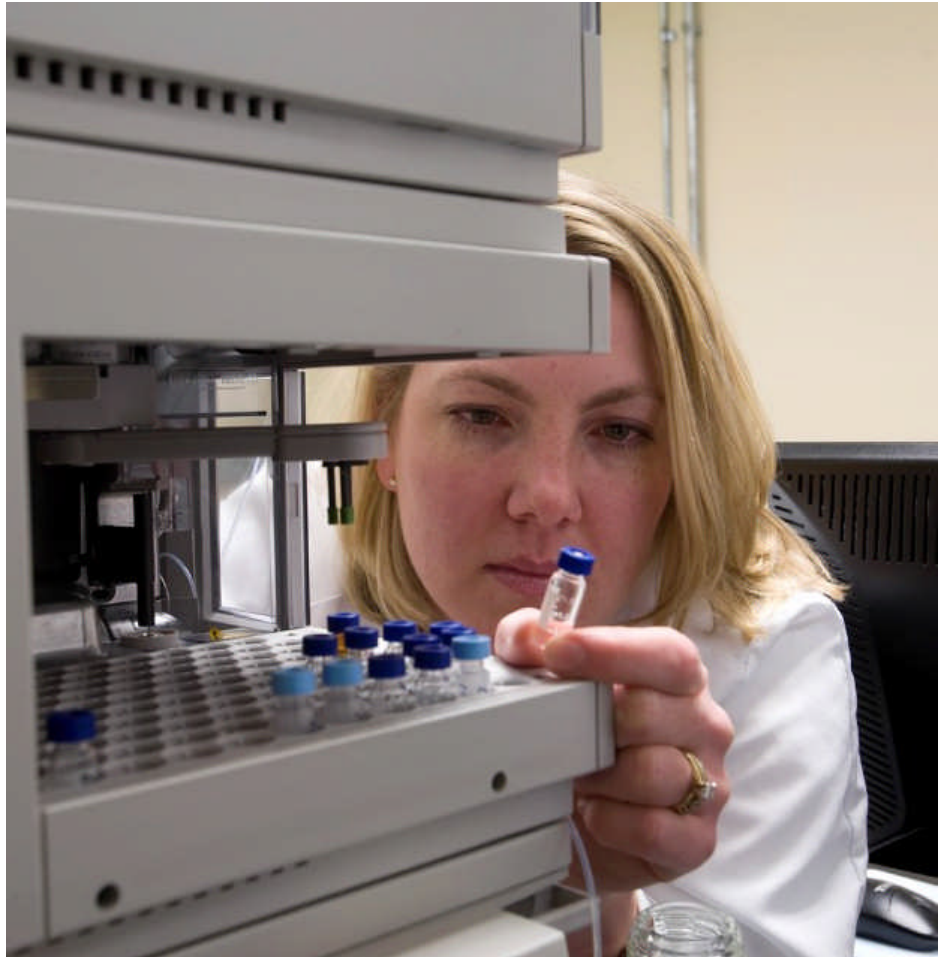


Are you exposed to transfer pricing?

January 2012



How will the tax authority treat your related party expenses?

Transfer pricing environment in BiH

Transfer pricing is regulated by the Corporate Income Tax Acts on entity level. Federation BiH, Republika Srpska and Brčko District have different regulations in place including different rules in regard to applicable methods, related parties and documentation. The regulation in place does not differ if the transactions are within one entity, cross-border or international. Basically this means that all transactions with related parties can fall under the transfer pricing scope.

With Bosnia and Herzegovina not being an EU or an OECD member, the local legislation does not have the same requirements with respect to transfer pricing documentation as in European Union countries nor does the legislation refer to the OECD guidelines.

Although the arm's-length principles have existed in the tax legislation for a couple of years, the transfer pricing has become of interest to the tax authority only in the recent period and the number of audits resulting in adjustments are increasing.

The lack of publicly available comparable data for determining whether prices are at arm's length can prove to be a costly exercise for many companies.

What is the exposure level?

If you have significant transactions with related parties the prices established between you are likely to be tested by the tax authority, as well as whether the transactions can be considered as tax deductible at all.

Many international companies with local operations have certain costs associated with their global operations that are becoming increasingly under the review of tax authority. We have also witnessed the inspections determining that expenditures which cannot be substantiated are considered as tax non deductible for corporate income tax purposes.

Do you have following transaction with related parties and are you aware what is your transfer pricing exposure:

- Management fees, human resource IT and other services
- Shared service agreements
- Intercompany loans
- Transfer of goods and assets
- Other periodical charges?

If you are not sure how this could be treated by the tax authority we can help.

How we can assist you

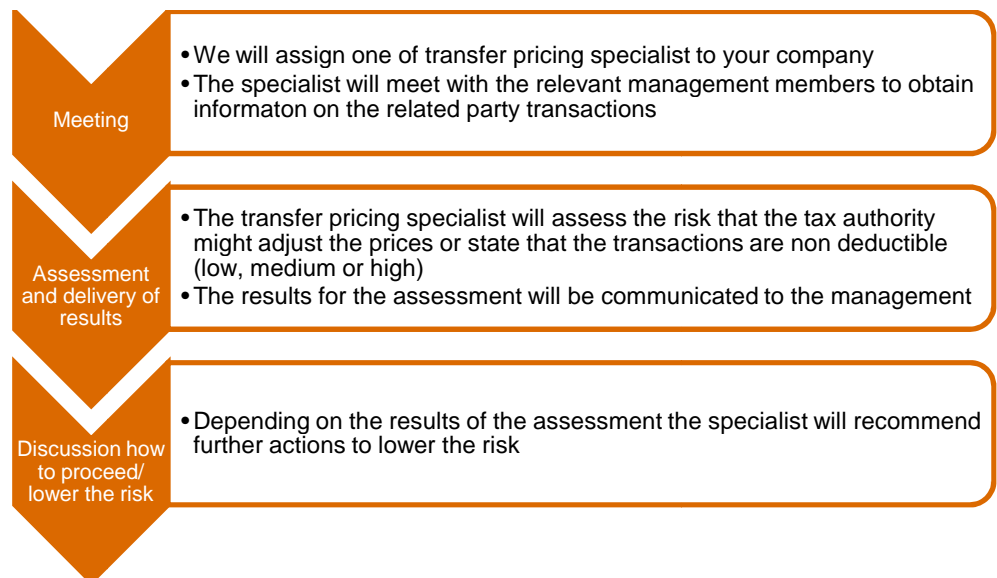
What is a transfer pricing review

Transfer pricing review is the possibility to assess your current transfer pricing exposure without actually preparing the usually expensive and time consuming transfer pricing documentation. The aim of the exercise is to identify potential risk, come up with solutions of lowering the exposure and advise on how to document the related party transaction in accordance with corporate tax provisions.

PwC can assist you with following:

- Assess the transfer pricing risk;
- Assess whether you have risk that certain expenditure will be considered as non deductible;
- Consult with the management of the company and come up with possible solutions how to lower the risk;
- Advise whether you need the TP documentation and what will be included in the scope of the study to minimise your costs.

The process



Contact details



If you are interested in our services or you would like to discuss how we can assist your business please do not to hesitate to contact us:

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