



# MAZARS ROMANIA -TRANSFER PRICING ASSESSMENT



## TRANSFER PRICING ASPECTS TO BE CONSIDERED IN THE CONTEXT OF THE STATE OF EMERGENCY GENERATED BY THE COVID-19 PANDEMIC

*Despite the fact that the impact generated by the COVID-19 pandemic on the economic activities of multinational groups operating in Romania may not be accurately estimated, it is likely that a large number of groups and local entities will face a reduction of taxable revenues.*

*Please find below several key points that should be taken into consideration, from a transfer pricing perspective, by Romanian entities which are part of multinational groups.*

- Is the group as a whole registering losses due to the COVID-19 lockdown?;
- Is the local entity incurring losses due to the disruptions caused by the COVID-19 lockdown?
- What is the functional profile of the local entity and are the losses in line with the functional profile of the entity?
- Can the local entity still apply the profit margins agreed with the group before the COVID-19 lockdown?;
- Based on the OECD Transfer Pricing Guidelines, limited risk or routine entities should be entitled to at least a break-even position with no losses incurred. Are these recommendations applicable in the current context?;
- Can the current extraordinary circumstances lead to loss sharing in the group's supply chain, even among limited risk service providers/distributors or low risk contract manufacturers?;
- What would be the appropriate method to share the loss registered by the group with the local entity?;
- How should local entities document the changes in the price methodology arising due to the COVID-19 pandemic?;
- Should the company amend the contractual framework, applicable to intragroup transactions, so as to reflect the current conditions?



# CONTACT

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Should you require any information related to the foregoing, please do not hesitate to contact us.