



Transfer pricing risks in practice

What is tax authority's focus and what are the main risks?

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01

What are the common risks and deficiencies?

**Not all relevant transactions are identified, which means hidden risks may remain within the business operations**

- The arm's length principle is not applied to all related-party transactions.
- The reporting of related parties is omitted or incomplete.
- The identification of transactions is not comprehensive, and the aggregation rules are not applied.

The mere existence of documentation is not sufficient; its quality and currency are also of key importance

- The documentation does not comply with the formal and substantive requirements (for example, the local file is incomplete or not sufficiently detailed, or the master file prepared abroad does not align with Hungarian regulations).
- The determination of the arm's length price is inappropriate (for example, incorrect method selection, inappropriate profitability indicator, or database screening that does not meet the tax authority's expectations).
- The records are not updated on a regular basis.

Discrepancies between the data reporting and the documentation create an increased tax audit risk

- The documentation is not prepared by the deadline, and therefore the corporate income tax return is filed incompletely.
- The data included in the tax return is not consistent with the transfer pricing documentation.

Basic concepts for easier orientation

Transfer pricing

The price or consideration applied in transactions between related parties (for goods, services, management fees, licences, loans, etc.).

Related parties

Businesses or individuals between whom there is an ownership, control or decisive influence relationship, and therefore their decision-making is not independent.

Arm's length principle

Pricing between related parties must correspond to the price that independent parties would apply under similar circumstances. This principle must be observed even where there is no documentation obligation.

Purpose of transfer pricing regulation to ensure that:

- profits are not artificially shifted, and
- taxation takes place where the economic activity is actually carried out.

03 *Obligations to take into account*



Reporting related-party relationships:

The taxpayer must report its related parties to the tax authority following the conclusion of the first contract (business agreement), and must also report the termination of the related-party relationship.

Failure of fulfillment this obligation may result in a default penalty of up to HUF 1,000,000 for each unreported related party.

Data reporting obligation:

In addition to the documentation obligation, taxpayers must also comply with a data reporting obligation as part of the annual corporate income tax return.

In case of failure to comply, incorrect, incomplete, false-content or late reporting, a default penalty of up to HUF 1,000,000 may be imposed.

03

Obligations to take into account

**Transfer pricing documentation:**

As a general rule, a business is required to prepare transfer pricing documentation if it carried out transactions with related parties during the given tax year. However, there are cases where the business is not required to prepare transfer pricing records, even if the transaction was carried out with a related party.

Exemptions for companies:

1. The taxpayer qualifies as a micro or small enterprise
2. In the case of a corporate income tax group, transactions between group members

Exemptions for transactions:

1. Transaction value below HUF 100 million until tax year 2025, and below HUF 150 million from 2026 (applying the consolidation rule)
1. Stock exchange transactions within the meaning of the Capital Market Act
2. Transactions carried out at an official price or at a specific price determined by law

In the event of breach or failure to comply with the transfer pricing documentation obligations, a default penalty of up to HUF 5 million may be imposed per document (the master file and the local file qualify as two separate documents). In the event of repeated non-compliance, the maximum default penalty may be as high as HUF 10 million.



How obligations must be fulfilled and the relevant deadlines

	Related-party relationship	Transfer pricing documentation	Data reporting
Method of compliance	Reporting on Form T201T	Preparation and retention of the local file and master file in accordance with the legal requirements. They only need to be submitted during a tax	It forms part of the corporate income tax return (sheets ATP-01 and ATP-KV)
Deadline	Notification within 15 days after the first transaction / conclusion of the first contract. Deregistration within 15 days after the termination of the related-party relationship.	By the deadline for filing the corporate income tax return. (Exception: if the master file is prepared by a foreign parent company)	The same deadline as for the corporate income tax return
Sanction	Default penalty of up to HUF 1 million	Default penalty of up to HUF 5 million per document. In the event of repeated non-compliance, up to HUF 10 million)	Default penalty of up to HUF 1 million

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Aggregation rules



As a general rule, transfer pricing records must be prepared separately for each controlled transaction. However, Hungarian rules also provide that **obligations may be fulfilled on an consolidated basis** if:

- comparability is not impaired;
- the subject matter of the contracts is the same, the material terms of performance are the same, or the differences are not significant; and
- the transactions are closely linked to one another.

The proper application of the aggregation rules is crucial when determining transaction values and, accordingly, the documentation obligation. In the case of consolidation, the justification for the consolidation is a mandatory content element of the documentation.



Structure of transfer pricing documentation

1.

Master file: an overview of the operation of the corporate group:

- the group's market environment, products and business strategy;
- presentation of the supply chain;
- main functions, assets used and risks assumed;
- intangibles and financial activities.

2.

Local file: the role of the specific company within the group:

- presentation of the company's activities;
- detailed description of related-party transactions;
- functional analysis;
- determination of the arm's length price (method selection and benchmarking).

07

Tax base adjustment

If the price applied between related parties differs from the arm's length price, **the corporate income tax base must be adjusted.**

- **Increase of the tax base:** If the price applied results the pre-tax profit is lower than it would have been under an arm's length price.
- **Decrease of the tax base:** If the applied price results the pre-tax profit is higher than it would have been under an arm's length price (condition: a statement from the other party confirming symmetrical accounting treatment.)
- **Amount of the adjustment:** As a general rule, the median of the arm's length range applies, unless a deviation is properly substantiated.
- The tax base adjustment applies to all affected transactions **regardless of the documentation** obligation.

If the tax base increase is not made, a **tax deficiency arises**, in respect of which the tax authority may impose a **tax penalty** equal to 50% of the tax shortfall, as well as late payment interest (central bank base rate + 5 percentage points, calculated on a daily basis).

The essence of transfer pricing tax audits in 2026 is no longer merely the existence of documentation.

The tax authority uses automated systems to examine the profitability, trends and possible discrepancies of intra-group transactions.

*Check your company's compliance.
Request expert feedback on your transfer pricing risks.*



ICT Business Advisory can provide the following services:

- *preparation of transfer pricing documentation*
- *update of transfer pricing documentation*
- *transfer pricing consulting*
- *benchmark analyses*

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Why engage our expertise in transfer pricing audits?



1.

We help identify transactions and deficiencies that may give rise to penalty risk.

2.

We do not merely prepare the documentation; we also assess the applied pricing, profitability, and the need for tax base adjustments.

3.

We prepare the documentation in accordance with the applicable regulations, taking into account the changes effective from 2026 and the Hungarian Tax Authority's audit focus areas.

4.

We align transfer pricing reporting with the documentation, ensuring consistency and compliance with regulatory expectations.

5.

We do not focus solely on preparing documentation; we also ensure that the group's operations and pricing are commercially sound and aligned with transfer pricing regulations.



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