

FORM 232 | QUICK GUIDE TO KEY POINTS

METHODS COMMONLY USED BY TRANSACTION TYPE

	CUP	CPM	RPM	PSM	TNMM	OVM ¹
Acquisition/transfer of tangible assets	●	●	●	●	●	●
Acquisition/transfer/licensing of intangibles	●	●	●	●	●	●
Acquisition/transfer of equity interests	●	●	●	●	●	●
Acquisition/transfer of debt instruments	●	●	●	●	●	●
Debt financing transactions: granting and repayment of loans and credit facilities, and the issuance and redemption of bonds and other debt instruments	●	●	●	●	●	●
Services between related parties	●	●	●	●	●	●
Cost contribution arrangements for goods or services	●	●	●	●	●	●
Rental and other real estate income	●	●	●	●	●	●
Interest on credit facilities, loans and other financial assets representing debt (debentures, bonds, etc.)	●	●	●	●	●	●
Employment-related compensation, including pension contributions, deferred compensation arrangements, and share-based remuneration (e.g. shares and stock options)	●	●	●	●	●	●
Other transactions	●	●	●	●	●	●

Importance of the **functional analysis and the availability of information** in determining the transfer pricing policy.

Two key milestones: **design and testing**.

The AEAT seeks to **challenge** whether the testing methodology is appropriate.

- Commonly used
- Used with reservations
- Rarely used

¹ Other viable methods

RISK INDICATORS
(AEAT 360°
STRATEGY)

- Significant transactions with tax havens
- Transfers of intangibles to related parties
- Business restructurings
- Specific types of payments
- Inadequate or missing documentation
- Significant changes in the effective tax rate
- Losses or poor results
- Excessive debt

PENALTIES FOR
FORM 232

*If no transfer pricing documentation is available, we recommend carrying out a risk analysis (executive or limited) before completing the form.

Conduct	LGT article	Classification	Calculation	Minimum	Maximum
Failure to file	198.1, final paragraph	Minor	Fixed fine of €20 for each item or set of items of data relating to the same person or entity that should have been included in the return.	€300	€20,000
Late filing (without a prior request from AEAT)	198.1, final paragraph, and 198.2	Minor	Fixed fine of €10 for each item or set of items of data relating to the same person or entity that should have been included in the return.	€150	€10,000
Incomplete, inaccurate or false filing	199.5	Serious	Proportional fine of up to 2% of the amount of the transactions not reported or reported incorrectly.	€500	No limit

SPECIFIC TRANSACTION TYPES AND CODES

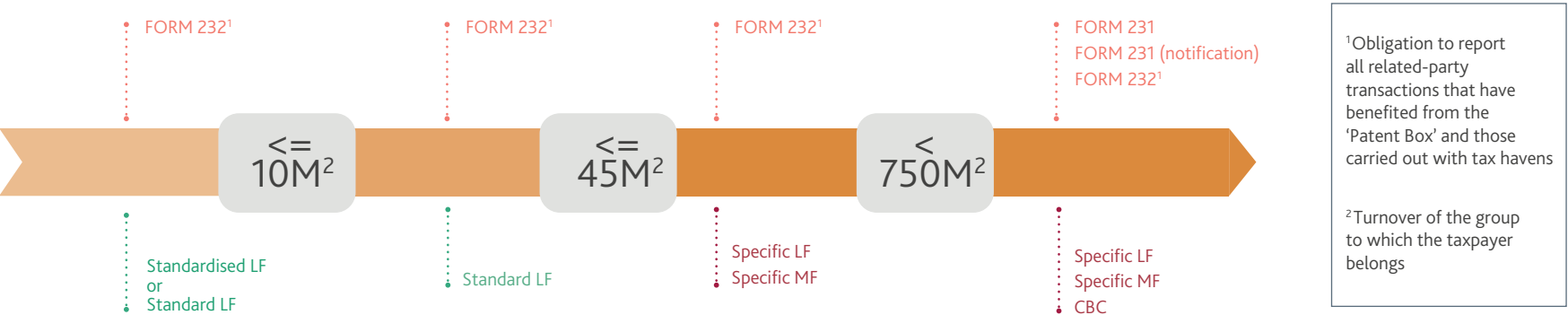
Type of related-party transaction (art. 16.5 RIS)	Form 232 code	Examples
Business transfers.	11	Transfer of a line of business within the meaning of article 76.4 of the LIS.
Real estate transfers.	1	Transfer of commercial premises, a home, a hotel, etc.
Transactions involving intangible assets.	2	Transfer of a customer portfolio. Trademark licensing. Transfer of know-how or other intellectual property rights.
Transactions carried out by personal income tax (IRPF) taxpayers in the course of a business activity taxed under the objective assessment method, with entities in which they or their spouses, ascendants or descendants, individually or jointly, hold 25% or more of the share capital or equity.	Varies by transaction type.	Transactions between individual shareholders and their companies where the relevant conditions are met.
Transfers of securities or shares representing an interest in the equity of any type of entity not admitted to trading on a regulated securities market, or admitted to trading on regulated markets located in countries or territories classified as tax havens.	3	Transfer of shares or equity interests in unlisted entities. Transfer of shares or equity interests in entities listed on regulated markets located in countries or territories classified as tax havens.

EXAMPLES OF MARKET RANGES BY ACTIVITY

Mark-up on costs	Lower quartile	Median	Upper quartile
ENGINEERING	1.37%	5.60%	12.17%
TEXTILE MANUFACTURING	2.99%	4.78%	7.13%
IT CONSULTING	0.85%	6.74%	20.92%

Note: the policies applied to each related-party transaction must be supported by a benchmarking analysis. Remuneration may vary depending on the functional and risk characterisation.

DOCUMENTATION AND REPORTING OBLIGATIONS IN SPAIN

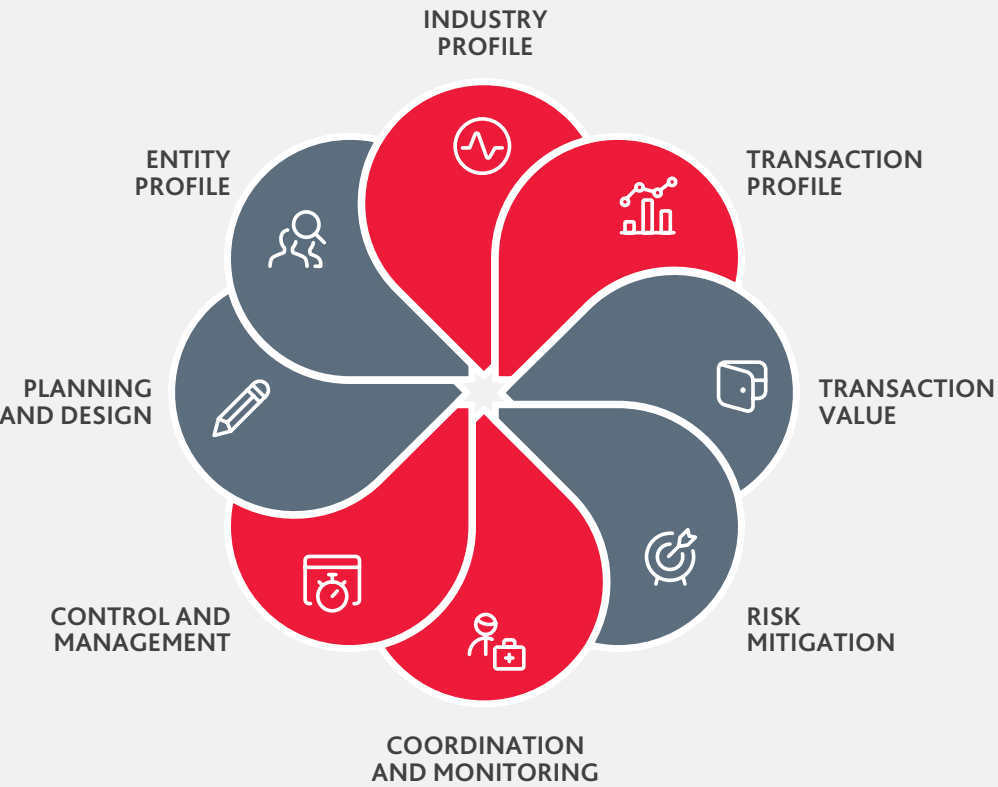


NOTE: The information contained in this document does not constitute advice or a recommendation on filing Form 232. We recommend reviewing related-party transaction information in detail, given the implications of this form.



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RISK ANALYSIS: DEFINING THE POLICY



COMPREHENSIVE METHODOLOGY:
Our methodology analyses related-party transactions from the outset, based on the company’s financial plan, and we support those responsible throughout implementation.

- OBJECTIVES:**
- Ensure that appropriate transfer pricing policies are applied.
 - Develop transfer pricing documentation and mitigate the risk of specific penalties.
 - Quantify and anticipate the impact of transfer pricing on the tax cost and the statutory accounts.
 - Ease management’s concerns about tax exposure arising from unnoticed changes in transactions that may affect transfer pricing.
 - Strengthen transfer pricing governance, controls and documentation processes.
 - Manage and control significant intercompany transactions proactively.
 - Among others.

