



# Transfer Pricing

## PRIMETAX GUIDE:

# TRANSFER PRICING IN TÜRKİYE: COMPLIANCE AND RISK MANAGEMENT

## 1. Introduction

Transfer pricing has always been a sensitive area of tax, but in today's interconnected economy, it has moved right to the centre of attention. For Türkiye, where cross-border investment keeps growing and multinational groups have become deeply embedded in the economy, TP is not a technical afterthought — it is a front-line risk.

Turkish tax authorities, like their counterparts around the world, see transfer pricing as one of the easiest ways for profits to “leak” out of the tax base. Their response has been sharper rules, closer alignment with OECD standards, and a noticeable increase in audit activity. For companies, that means the margin for error is shrinking. A weak transfer pricing policy no longer creates compliance headaches; it can lead to tax adjustments, double taxation, and penalties that quickly outweigh any short-term savings.

## 2. The Legal Landscape in Türkiye

The rules are clear, at least on paper. Transfer pricing in Türkiye is governed by Article 13 of the Corporate Income Tax Law and, like in most jurisdictions, it rests on the arm's length principle. In simple terms: if you are charging your sister company something you would never charge an independent customer, you have a problem.

The definition of “related party” is broad — a 25% shareholding, direct or indirect, is enough to bring a transaction into scope. And the scope itself is broad: sales, services, royalties, loans, management fees, even cost-sharing arrangements. In other words, almost every type of cross-border arrangement can be scrutinised.

## 3. Why Documentation Matters

Documentation has become the real battlefield. Türkiye has adopted a three-tiered system, in line with OECD guidance. Large taxpayers must prepare an annual TP report that outlines the methods and benchmarking. Groups with revenues above TRY 500 million also file a Master File, explaining their global business model, value chain, and intangibles. And multinationals with a turnover of over EUR 750 million must submit a Country-by-Country Report (CbCR).

On its own, none of this sounds unusual. But in practice, the authorities treat poor or late documentation as a red flag. A thin benchmarking study or a generic report that appears to be copied from another country will almost guarantee more profound questions.

## 4. Choosing the Right Method

Like most OECD countries, Türkiye recognises five transfer pricing methods. The challenge is not so much choosing one, but proving why it fits your particular business. Many disputes arise because the chosen method does not match commercial reality in the Turkish market, or because the benchmarking analysis is weak.

## 5. What the Disputes Look Like in Practice

If you look at recent audits, a pattern emerges.

One common flashpoint is management fees. Multinationals often charge their Turkish subsidiaries for services from headquarters, but unless the local entity can prove it benefited, those deductions are quickly challenged.

Royalties are another hotspot. Turkish inspectors often ask why a subsidiary is paying high fees offshore for trademark rights when it is already spending heavily on marketing and brand building inside Türkiye.

Loans between group companies are reviewed carefully, too. If the debt looks excessive, authorities may reclassify it as equity and deny the interest deduction under thin capitalisation rules.

And in the distribution sector, low margins draw attention. Importers buying from related parties and selling locally are expected to earn profits in line with independent peers. If margins look too slim, the adjustment can be significant.

The theme running through all of these is substance: inspectors are not just checking numbers, they are asking whether the transaction makes sense commercially.

## 6. Managing the Risk

The companies that fare best in Türkiye are the ones that see TP as a year-round risk management issue, not a year-end reporting task. They invest in solid benchmarking that reflects local realities, they consider Advance Pricing Agreements (APAs) for certainty in high-value transactions, and they run internal health checks so problems are found before the tax office finds them. Just as importantly, they make sure that finance and legal teams understand the basics of TP, so that the company speaks with one voice.

## 7. The Cost of Getting It Wrong

The risks are not abstract. A reassessment can hit cash flow immediately. If another country does not grant relief, the result is double taxation. Add penalties and interest, and the financial impact escalates quickly. Reputationally, too, it can be damaging — no investor or bank enjoys seeing a business in a high-profile dispute with the tax office.

## 8. Conclusion

Transfer pricing in Türkiye has matured into one of the most critical areas of corporate taxation. Compliance is not optional, nor is it just about avoiding penalties. Done well, it protects profitability, investor confidence, and the company's long-term ability to operate with certainty in a challenging regulatory environment.

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