

[Date]

[Management Name/Board of Directors]

[Company Name]

[Company Address]

Subject: Management Letter Regarding Transfer Pricing and Related Party Disclosures

Dear [Management/Board Name],

In connection with our audit of the financial statements of [Company Name] for the year ended [Year-End Date], we have reviewed the company's related party transactions and transfer pricing arrangements. The purpose of this letter is to bring to your attention findings regarding compliance with [Relevant Tax Authority/Accounting Standards].

1. Identification of Related Party Transactions

During our review, we identified the following significant transactions with related entities:

- [Description of Transaction 1]
- [Description of Transaction 2]

Management is responsible for the complete identification and disclosure of all related parties and transactions in accordance with [Standard, e.g., IAS 24].

2. Transfer Pricing Documentation

Current regulations require that transactions between related parties be conducted at "Arm's Length." We noted the following regarding your documentation:

- [Observation: e.g., The Master File/Local File is currently outdated.]
- [Observation: e.g., Lack of benchmarking studies to support pricing methods.]

Failure to maintain contemporary documentation may result in tax adjustments, penalties, and interest.

3. Compliance and Risk Management

We recommend that management performs a formal transfer pricing study to mitigate the risk of double taxation and to ensure alignment with the "Arm's Length" principle. This study should include:

- Functional analysis (functions, assets, and risks).
- Selection of the most appropriate transfer pricing method.
- Regular monitoring of intercompany agreements.

4. Financial Statement Disclosures

We recommend enhancing the notes to the financial statements to clearly reflect the nature of the relationships and the terms of the transactions to ensure transparency for stakeholders.

This communication is intended solely for the information and use of management and those charged with governance.

Sincerely,

[Your Name/Audit Firm Name]
[Title]