By PwC Deutschland | 06. April 2025

# MoF: Documentation of business relationships via transaction matrix

**The Ministry of Finance (MoF) has published some information on the so-called transaction matrix pursuant to Section 90 (3) sentence 2 no. 1 Fiscal Code which requires taxpayers to keep records of the nature and the content of their business relationships within the meaning of Section 1 (4) of the Foreign Tax Act.**

## Background

As of 1 January 2025, the legislator has expanded the requirements for transfer pricing documentation through the Fourth Bureaucracy Relief Act. Since then, the so-called **transaction matrix** (i. e. an overview of business transactions) has been an additional component of the record-keeping obligations in accordance with Section 90 (3) Fiscal Code which states that „the obligation to keep records shall **encompass business transactions (documentation of facts)**; the economic and legal aspects of any arm’s length agreement on terms of business, especially prices (transfer prices); and information on when the transfer prices were set, which transfer pricing method.

## Key features of a transaction matrix

The MoF has now set out in greater detail its definition of a transaction matrix as follows: “The transaction matrix is a structured, tabular overview that contains relevant information on the taxpayer's cross-border business relationships with related parties and permanent establishments.”

**Specifically, the transaction matrix must include the following information:**

- The object and nature of the transactions (e. g. delivery of goods),
- the parties involved in the business transactions, also identifying the recipient of the service and the service provider,
- the volume and remuneration (in Euro currency) of the business transactions (e.g. loan amount and interest or payment for a delivery of goods or services),
- the underlying terms of the agreement (description of the contract),
- the transfer pricing method applied (e.g. cost-plus method or the comparable uncontrolled price method),
- the tax jurisdictions concerned, and
- business transactions that are not subject to the standard taxation in the relevant tax jurisdiction.

Business transactions with a related party or permanent establishment in relation to a specific tax jurisdiction that are economically comparable in terms of functions and risks can be combined in groups for the purpose of preparing the records.

Furthermore, the MoF states that the format, content or scope of the transaction matrix may be modified in special cases. This is to take account of the specific individual case in practice. However, deviations must be communicated and justified well in advance, at the latest within a 30-day period.

## Application

As a rule, transfer pricing records will be submitted during an external audit; the same applies to the submission of a transaction matrix. In the event of an external audit, beginning from 1 January 2025 and in accordance with Section 90 (4) sentence 2 Fiscal Code, information must be presented as to a) the master documentation if the thresholds of the size categories are exceeded, b) records of extraordinary business transactions and c) the transaction matrix. These documents must be submitted without a specific request within 30 days of notification of the audit order.

**Penalty for failure to submit the transaction matrix**

If the transaction matrix is not submitted, a surcharge of EUR 5,000 will be imposed in accordance with Section 162 (4) sentence 1 Fiscal Code.

**Source:**

Federal Ministry of Finance, circular of 2 April 2025 (IV B 3 - S 0225/00019/004/009).

**Schlagwörter**

documentation, record retention