TAX AUDIT · VDK ANNOUNCEMENT

VDK-MİHENK: an AI-supported risk analysis system

The Tax Inspection Board’s new system, its use in transfer pricing and the rules in force.

KEY POINTS

9 key points

SWIPE TO CONTINUE →

02 · THE SYSTEM

What is VDK-MİHENK?

A new-generation risk analysis system developed by the Tax Inspection Board (VDK) that assesses financial data, above all e-documents, using **artificial intelligence and big data analytics**. One of its main uses is as a comparable price database in transfer pricing work.

The system has been deployed at the Risk Analysis Centre and is being used in central risk analysis work.

— 03 · SCOPE

What does the system analyse?

It analyses price, cost, sales volume, profitability and sector margin indicators together. The aim is to strengthen risk analysis capacity in three areas in particular.

01 **Transfer pricing**

02 **Arm’s length compliance**

03 **Shifting of profit between related parties through pricing**

The aim is to identify transactions that may carry tax risk more accurately and to direct audit resources to risky areas.

04 · COMPARABLE ANALYSIS

How is comparable analysis carried out?

A large number of completed transactions in the same or similar goods and services are assessed together. The system analyses whether prices between related parties **differ significantly** from independent transactions under similar conditions.

Comparisons can be made across Türkiye and at province, district and regional level, taking sales volume, cost structure and business characteristics into account together.

05 · PRICE DIRECTION

High and low prices are both analysed

The system is designed to analyse transactions priced **low** as well as high compared with comparables. Whether purchase or sale prices that clearly diverge from comparables result in profit shifting between related parties may be taken into account.

The aim is not to set a price for any goods or service or to interfere with market pricing behaviour.

06 · DATA

How current is the data?

Analyses are based on data sets of many real economic transactions rather than limited samples. E-document data reaches the system quickly.

4 days

Approximate data lag after which transactions in financial documents can be analysed

The aim is to assess, for risk analysis, transactions and taxpayer groups that diverge significantly from usual patterns.

07 · SECOND PHASE

What comes in the second phase?

The second phase of development will introduce sector profit margin analyses. Analyses will be possible not only on transaction prices but also on the **profitability indicators** of taxpayers and groups of transactions.

This module will strengthen analysis capacity, particularly for the profit-based methods used in transfer pricing.

What price difference counts as a risk?

The announcement gives no numerical rate or threshold. Transactions that may be subject to risk analysis are described as prices that diverge significantly and clearly from comparables. A price difference alone does not mean tax non-compliance; the following are considered together.

01 **The nature, quantity and timing of the transaction**

02 **Commercial terms**

03 **Other factors affecting comparability**

The analyses and indicators produced are not a final tax finding; they are analytical outputs feeding central risk analysis work.

Rules in force for companies

The announcement creates no new obligation. Under the Corporate Income Tax Law, where transactions with related parties are priced contrary to the arm’s length principle, profit is deemed to be **distributed in disguise**.

01 **Setting prices in related-party transactions at arm’s length**

02 **Keeping the records, schedules and documents supporting price calculations**

03 **A 50% reduction in the tax loss penalty if documentation is complete and on time**

Law No. 5520 Art. 13/1, 13/3 and 13/8. The penalty reduction does not apply to acts listed in Tax Procedure Law Art. 359. This page is based on legislation, not the VDK announcement.

Which documents are prepared?

Transfer pricing documentation obligations consist of four elements.

01 **Annual transfer pricing report**

02 **Form on transfer pricing, controlled foreign corporations and thin capitalisation**

03 **Master file**

04 **Country-by-country report and notification form**

General Communiqué No. 1 on Transfer Pricing, section 7. The scope and thresholds of each document are set out separately in the Communiqué. This page is based on legislation, not the VDK announcement.

IN SUMMARY

01 The VDK uses a risk analysis system that analyses e-document data with AI.

02 Related-party prices are compared with comparables in both directions, high and low.

03 The system’s outputs are not a final tax finding; a price difference alone does not mean criticism.

04 The obligation is not new; arm’s length pricing and documentation are already mandatory.

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