

# ***Transfer Pricing and Latin America Countries***



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# Latin America Context



Huge differences in the Income Tax

Huge differences in the development of the TA

Risk of TP manipulation at national level

Central America countries	Costa Rica	30% /SMEs 10% or 20% (T)
	Honduras	25% (WWT)
	Nicaragua	30% (T)
	Panama	27,5% on net income or 4,67% on gross income (T)
	El Salvador	25% (T)
	Guatemala	5% on gross income (31% on taxable profits) (T)
MERCOSUR Countries	Argentina	35 % (WWT)
	Brazil	15%+10% exc. of R\$ 240M + 9/15% Soc. Cont. (WWT)
	Paraguay	10% (T)
	Uruguay	25% (T)
Andean Community countries	Colombia	33 % (WWT)
	Bolivia	25 % (T)
	Ecuador	24% or 14% reinvested profits (RM)
	Peru	30% (WWT)

# In LA, is there sufficient TP legislation?



**LA COUNTRIES: 17**  
**TP LEGISLATIONS: 14**  
**TP LEGISLATIONS IN FORCE: 13**

Mexico  
(1995)

El Salvador  
(2009)

Colombia  
(2002)

Ecuador  
(1999)

Peru  
(2001)

Chile  
(1997)

Guatemala  
(2012)

Dominican Republic  
(2006)

Panama  
(2010)

Venezuela  
(1999)

Honduras  
(2011)

Brazil  
(1996)

Uruguay  
(2007)

Argentina  
(1998)



# Motivation



**CONTRIBUTE WITH THE CORRECT  
ALLOCATION OF TAX BASES**

**COMPLY WITH THE  
REQUIREMENTS OF THE  
INTERNATIONAL COMMUNITY**

**INCREASE TAX COLLECTION**

# HR aspects



## 1- Do Latin American governments have sufficiently expert and sufficiently trained transfer pricing administrations?

There are big differences between LA countries!!!!  
What about salaries and HR policies?  
How much money does the TA invest in training?  
What about the availability of experts in the country?  
What about political influences in the HR management?  
What about motivation of tax officials?

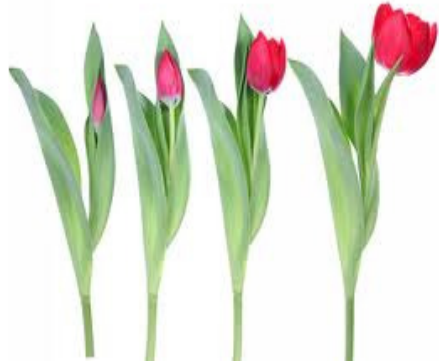
## 2- Is there a need of strengthening the expertise of transfer pricing administrations?

Of course!  
Also in tax treaties and audit of MNE.  
International organizations and TA have a "key role".  
Not only TA, also is necessary to train officials from the **legal system**.

## 3- Is there a "revolving door" problem? That is, do government transfer pricing experts get their training while in the government, and then leave for the private sector?

Is the TA strong?  
What about the labor market?  
What about the HR policies in TA and in the private sector?  
Is TP a new issue?  
Is there any restrictions for tax officials when they leave the TA?  
Are there harder restrictions when the tax officials receive costly training?

# TP Guidelines and Tax Administration in LA



**MATURITY**



**JUSTICE**



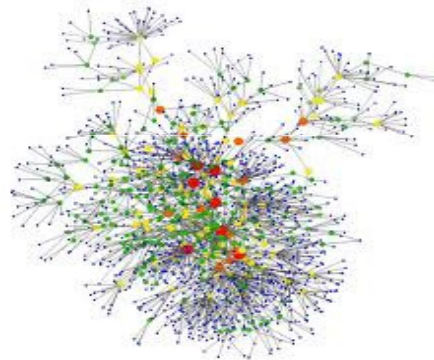
**RESOURCES**



**INTANGIBLES**



**BIG INFLUENCE**



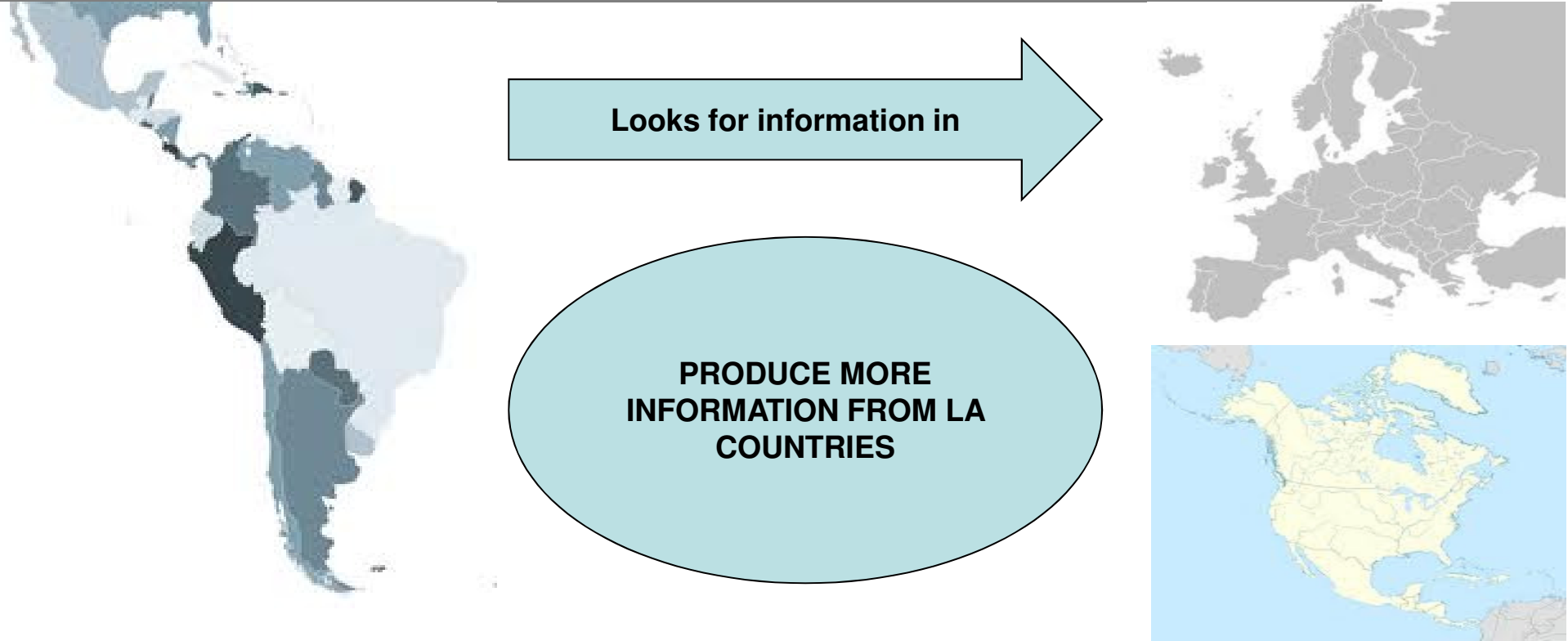
**COMPLEXITY**



**INFORMATION**

<p>Current guidelines are a good starting point</p>	<p>2010 update is based on country experiences</p>	<p>Almost all LA countries observed them</p>	<p>“Tropicalization” is advisable</p>
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# Comparable transactions in LA Countries



**Lack of LA comparables companies in countries and their neighbors**

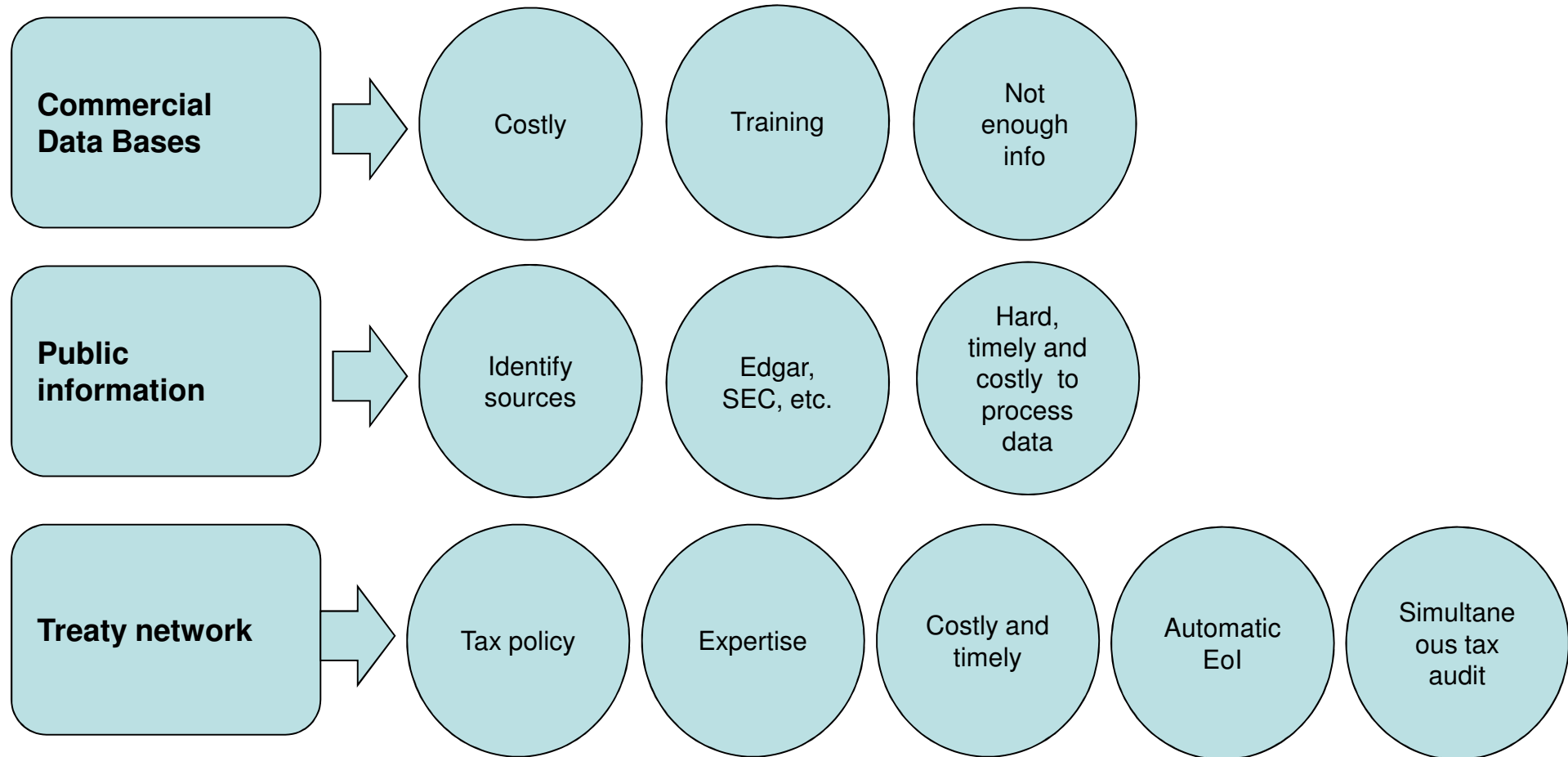
**Not in all countries is possible to use secret comparables**

**Usually the adjustments by market or geographic location are not reliable**

**Comercial databases are very useful but not enough**

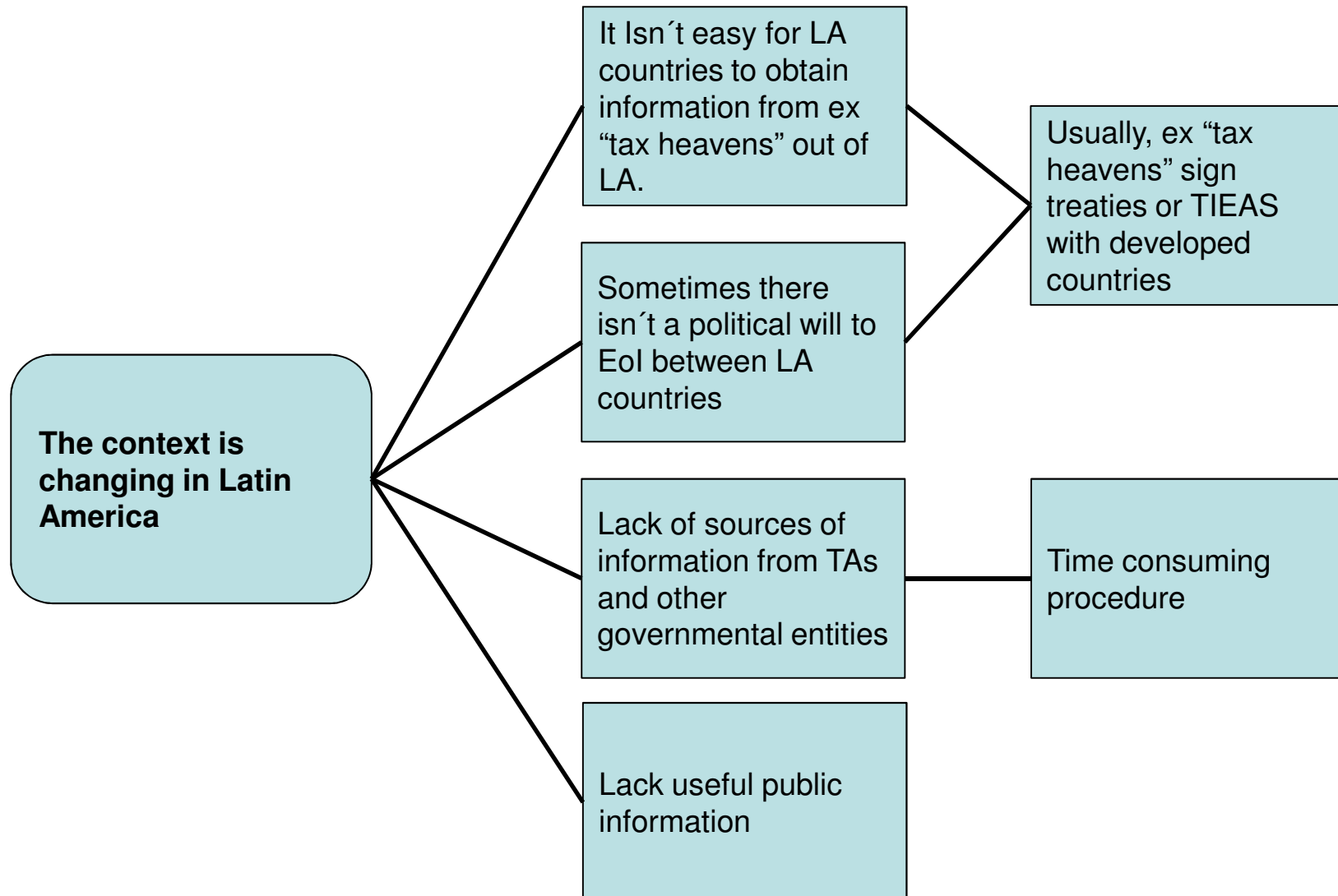
**Public information provided by institutions of developed countries is very useful**

# Capacity to obtain information from foreign sources, in order to enforce TP rules

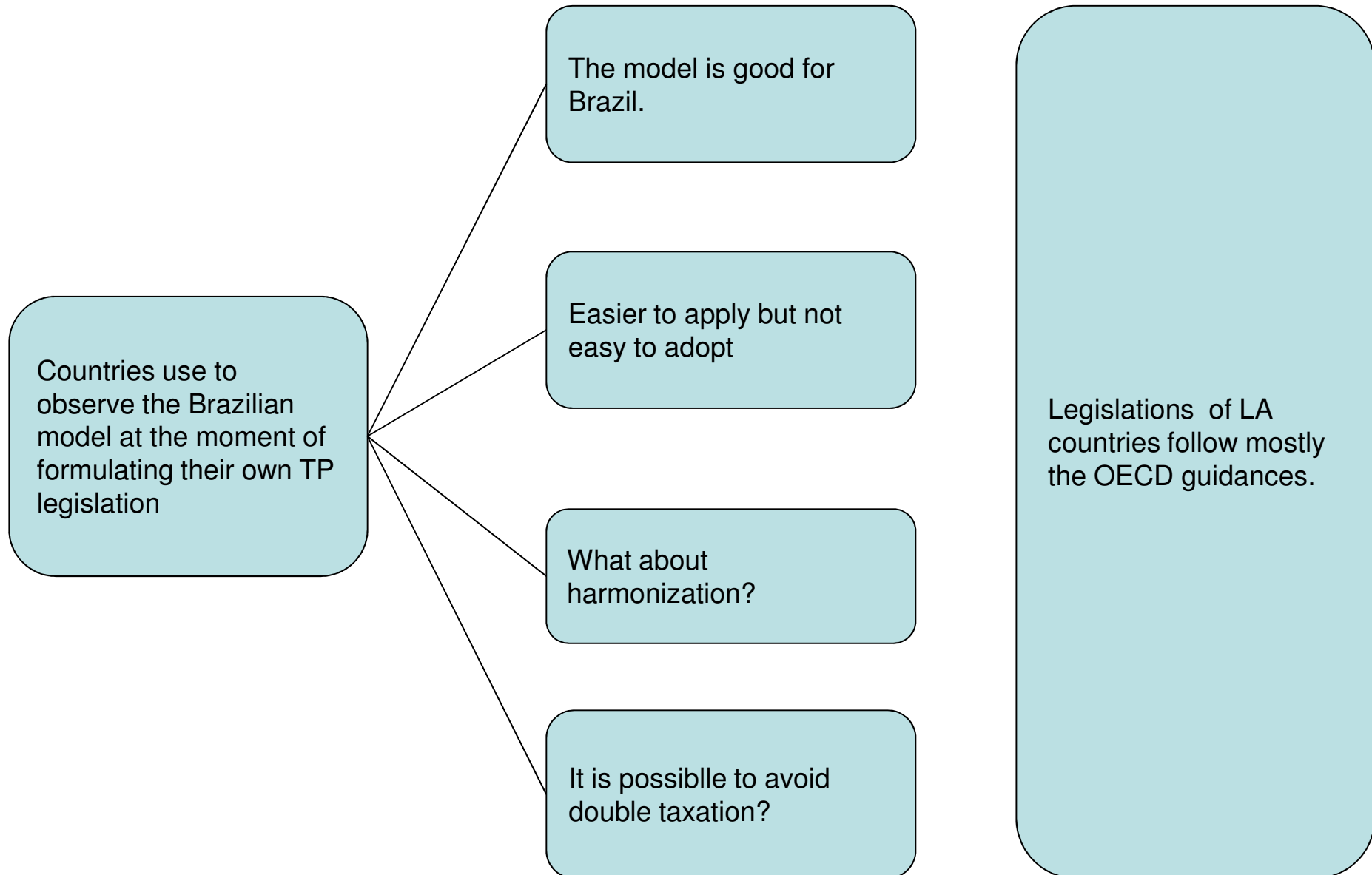




# Barriers to obtain information from jurisdictions with strict secrecy/confidentiality laws.



# Interest of LA Countries in Brazilian TP methods



**THANK YOU VERY MUCH FOR YOUR  
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