



BETTER POLICIES FOR BETTER LIVES

Meeting the Challenges of Transfer Pricing

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Global standard

- The OECD facilitates better policies for better lives by developing policies that help governments stimulate growth and equality
- Double taxation and less than single taxation pose a risk to trade and thus to growth and equality
- A global transfer pricing standard is key in preventing double and less than single taxation.

Arm's Length Principle

- The arm's length principle has been adopted as a transfer pricing standard by more than 100 developed, emerging and developing countries
- The OECD Transfer Pricing Guidelines (TPGL) are continuously revised and updated with new guidance in order to address and cope with the enormous changes and challenges posed by an increasingly globalized economy

Arm's Length Principle

- The arm's length principle:
 - Attempts to create a level playing field between taxpayers who are part of an MNE and independent parties
 - Attempts to replicate market forces
 - Allows for reciprocity of application, reducing the risk of non taxation and double taxation
 - Is reflected in domestic legislations and an extensive network of bilateral tax treaties
 - Provides a tool to counteract base erosion and profit shifting

The OECD and a global standard: inclusive dialogue on the TPGL

- 34 member countries and 9 non OECD economies participate in the ongoing TP discussions
- 90 countries participated in the first Annual meeting of the Global Forum on Transfer Pricing (GF)
- Steering Committee to the GF consists of the Bureau of the TP Working Party (WP6) and 12 non OECD economies and steers the development of policy guidance
- Task Force on Tax and Development participation includes civil society, OECD and non OECD countries, business and regional tax organisations
- UN is observer to the OECD Committee on Fiscal Affairs;
OECD is contributing to the UN work

The OECD and a global standard: implementation and development

- OECD's Tax and Development bilateral transfer pricing programmes
- Global Relations programme: 100+ engaged on international tax issues
- Advisory Group for Co-operation with Non-OECD Economies
- Forum on Tax Administration's report "Dealing Effectively with Transfer Pricing"

Maximum use of limited resources

- Partnerships and alliances with other international and regional organisations are crucial to make maximum use of limited resources:
 - World Bank
 - EU
 - ATAF
 - CIAT
 - UN

Tax Inspectors Without Borders

- Provide developing countries with access to experienced international tax inspectors/auditors
- Through placements and missions
- To support audits of MNEs on international tax issues
- To be in place by end 2013

Work program on TP

- Core technical issues:
 - Intangibles
- Administration / addressing complexity:
 - Simplification project
 - Tools for developing countries
 - Forum on Tax Administration
- Dispute resolution: fair, effective and efficient procedures to resolve double taxation

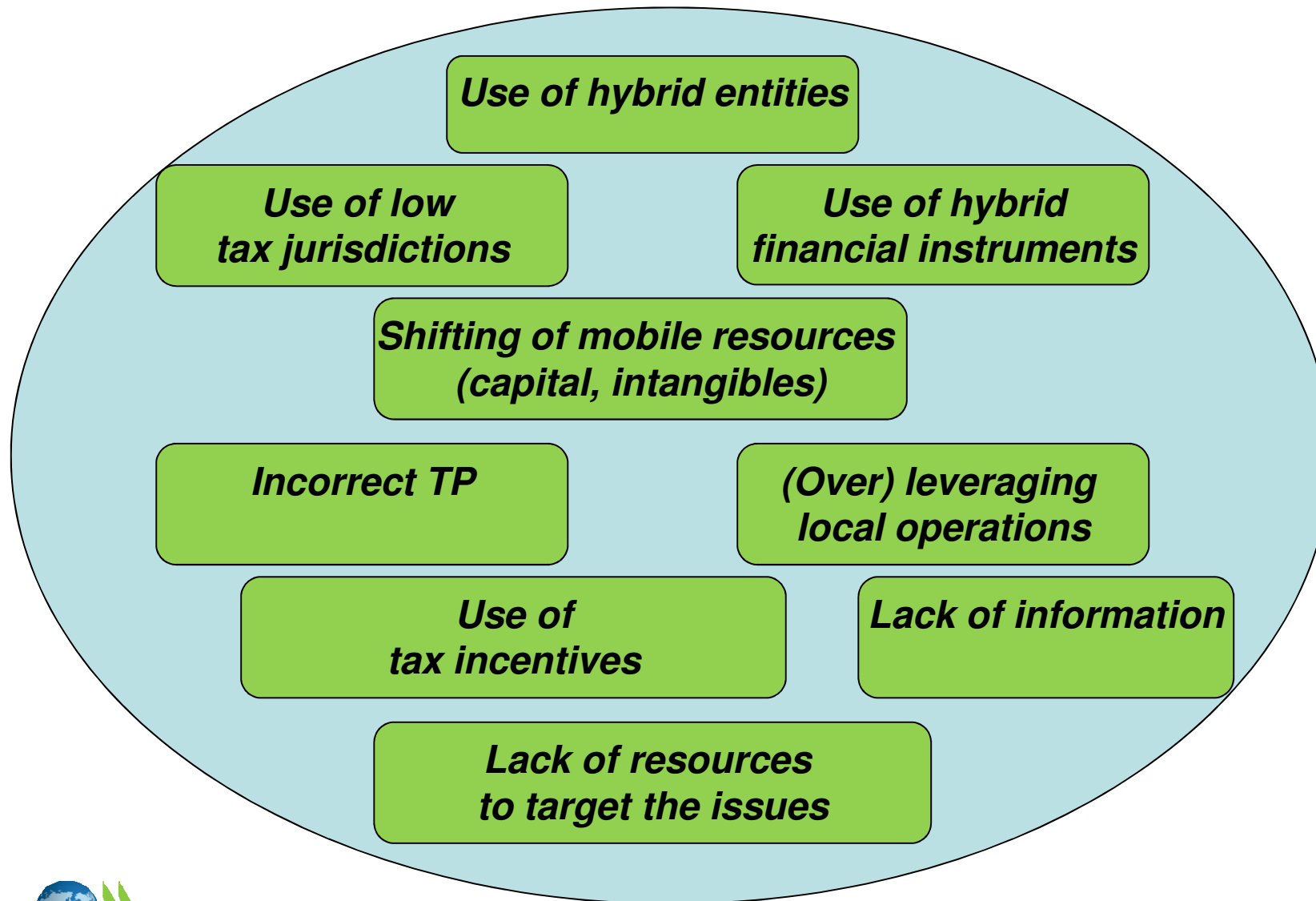
6th of June: public comments invited

- Revision of guidance on intangibles:
 - Legal ownership and/or bearing of costs without important activities does not create entitlement to intangible related returns
 - Revision safe harbour guidance and 3 sample memoranda of understanding for bilateral safe harbours regarding low risk activities
 - Timing issues
- *Comments invited by September 14*

Base Erosion & Profit Shifting

- Increasing awareness of base erosion and profit shifting (BEPS) by policy makers:
 - Public opinion argues that MNEs are not paying their fair share of taxes (e.g. GE, Google, Apple)
 - Both developed and developing countries are confronted with the issues, although the impact may be different
- This problem encompasses multiple, interrelated, international tax issues. A holistic approach is needed .

Base erosion: core issues



Priorities of the Steering Committee of the Global Forum on TP

- Risk assessment
- Access to timely and targeted information/documentation
- Financial transactions and thin capitalisation
- Extraction industry



Thank you for your attention!

Any questions?

- OECD TP website: www.oecd.org/ctp/tp
- OECD's Task Force on Tax and Development: www.oecd.org/tax/globalrelations/development
- OECD Global Relations Programme: www.oecd.org/tax/globalrelations
- OECD Forum on Tax Administration: www.oecd.org/tax/fta



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