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Transfer Pricing

OECD Publishes White Paper on Transfer Pricing Documentation

Because more and more countries are introducing regulations on transfer pricing documentation requirements that are often inconsistent with those of other countries, the OECD recently published a white paper on transfer pricing documentation. In the white paper, the OECD identifies several features of local country transfer pricing documentation rules, such as the limitation of local intercompany transaction analyses to a domestic focus, significantly different requirements with respect to benchmarking studies, and missing local materiality thresholds regarding the documentation of transactions.

To support a more consistent documentation approach, and,to implement some of the measures included in the Action Plan on Base Erosion and Profit Shifting published on July 19, the OECD developed a “Coordinated Documentation Approach” that follows a two-tier structure consisting of a masterfile and a local file. The masterfile would provide the taxu authorities general information about the group’s global business, sufficient to allow the authorities to identify the presence of transfer pricing risks. The country files for each group company would supplement the masterfile, and provide individual information regarding specific transfer pricing analyses related to transactions between the local country affiliate and associated enterprises in different countries.

While in principle the Coordinated Documentation Approach is consistent for the most part with the requirements stipulated by the European Union’s “Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the EU” and its masterfile/country file concept, the OECD’s approach is more extensive in some areas, especially regarding the required information to be included in the masterfile, such as an overview of the group’s R&D facilities.

The OECD on November 12-13 held a public consultation on various transfer pricing matters, including the white paper on documentation.

Reference
WHITE PAPER ON TRANSFER PRICING DOCUMENTATION, July 30, 2013

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