TRANSFER PRICING: THE EXPERIENCE OF OECD COUNTRIES AND DYNAMIC NON-MEMBER ECONOMIES

Seoul, South Korea, 7th-8th April 1994

The Korean Tax Institute will host an OECD informal Workshop on the allocation of income and expenses of Multinational Enterprises (MNEs) in Seoul on 7th-8th April. This meeting will take place in the context of OECD’s informal dialogue with Dynamic Non-Member Economies (DNMEs).

The main theme will focus on the difficulties encountered by tax authorities and taxpayers in determining the prices to be charged for tax purposes on transactions between associated enterprises known as "transfer prices".

Tax authorities have a common interest in ensuring that each transfer price corresponds to the price that would have been charged by independent enterprises, the so-called "arm’s length principle". Taxpayers also have an interest in a consistent application of this principle since the arm’s length principle avoids tax-induced distortions in the competitive position of enterprises.

The Workshop brings together participants from the governmental, private and academic sectors of 13 OECD Member countries and DNMEs -- Argentina, Brazil, Chile, Hong Kong, Korea, Malaysia, Mexico, Singapore, Taiwan and Thailand -- as well as a number of international organisations. It will be opened by Mr. He Jae Hyong Hong, Korean Minister of Finance, Mr. Yong-Man Park, President of the Korean Tax Institute, and Mr. William Witherell, Director of Financial, Fiscal and Enterprise Affairs, OECD.

The Workshop will discuss four broad themes:

1. The reconfirmation of the arm’s length principle and the application of that principle in the context of the revision of the OECD’s 1979 Transfer Pricing Guidelines.

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2. The application of this principle in the DNMEs and the problems encountered by both tax authorities and taxpayers.

3. The recent experience of OECD countries in the area of transfer pricing, including the use of profit-base methods to determine the allocation of income between associated enterprises.

4. New avenues for co-operation to avoid conflicts in this area and new means to resolve conflicts when they arise. Such methods include the use of Advance Transfer Pricing Arrangements, simultaneous examination and arbitration procedures, as well as better audit practices.

The Workshop is expected to lead to closer co-operation between the tax authorities of the participating countries.

A press conference will be held at 3 p.m. on Friday 8th April at the Inter-Continental hotel.

Journalists wishing to attend can contact Mr. Kihong Kim, Korean Tax Institut, (Tel: 579.4985 Fax: 574.9183) or Mr. Peter Gaskell, OECD Press Division, (Tel: 33-1 45 24 81 18) from whom a copy of the agenda can be obtained.