

# United Kingdom

## Transfer Pricing Country Profile

Updated July 2017

	SUMMARY	REFERENCE
The Arm's Length Principle		
1	<b>Does your domestic legislation or regulation make reference to the Arm's Length Principle?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Section 147 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/147">http://www.legislation.gov.uk/ukpga/2010/8/section/147</a>
2	<b>What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?</b> Our transfer pricing legislation incorporates a specific requirement that it be interpreted as "best secures consistency" with the OECD Transfer Pricing Guidelines.	Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a>
3	<b>Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

	<p><b>147 Tax calculations to be based on arm's length, not actual, provision</b></p> <p>(1) For the purposes of this section “the basic pre-condition” is that—</p> <p>(a) provision (“the actual provision”) has been made or imposed as between any two persons (“the affected persons”) by means of a transaction or series of transactions,</p> <p>(b) the participation condition is met (see section 148),</p> <p><b>148 The “participation condition”</b></p> <p>(1) For the purposes of section 147(1)(b), the participation condition is met if—</p> <p>(a) condition A is met in relation to the actual provision so far as the actual provision is provision relating to financing arrangements, and</p> <p>(b) condition B is met in relation to the actual provision so far as the actual provision is not provision relating to financing arrangements.</p> <p>(2) Condition A is that, at the time of the making or imposition of the actual provision or within the period of six months beginning with the day on which the actual provision was made or imposed—</p> <p>(a) one of the affected persons was directly or indirectly participating in the management, control or capital of the other, or</p> <p>(b) the same person or persons was or were directly or indirectly participating in the management, control or capital of each of the affected persons.</p> <p>(3) Condition B is that, at the time of the making or imposition of the actual provision—</p> <p>(a) one of the affected persons was directly or indirectly participating in the management, control or capital of the other, or</p> <p>(b) the same person or persons was or were directly or indirectly participating in the management, control or capital of each of the affected persons.</p> <p>(4) In this section “financing arrangements” means arrangements made for providing or guaranteeing, or otherwise in connection with, any debt, capital or other form of finance.</p> <p>(5) For the interpretation of subsections (2) and (3) see sections 157 to 163.</p>	<p>Section 148 Taxation (International and Other Provisions) Act 2010</p> <p><a href="http://www.legislation.gov.uk/ukpga/2010/8/section/148">http://www.legislation.gov.uk/ukpga/2010/8/section/148</a></p>
--	--	--

## Transfer Pricing Methods

4	<p><b>Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>CUP</th> <th>Resale Price</th> <th>Cost Plus</th> <th>TNMM</th> <th>Profit Split</th> <th>Other (If so, please describe)</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </tbody> </table> <p>Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on transfer pricing methods contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Section 164 Taxation (International and Other Provisions) Act 2010</p> <p><a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a></p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>										
5	<p><b>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</b></p>	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other (if so, please explain)</p> <p>Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on transfer pricing methods contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.</p>													
6	<p><b>If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.</b></p>	<p><input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input checked="" type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (if so, please explain)</p> <p><input type="checkbox"/> Other (if so, please explain)</p> <p>In the case of oil won from an oil field in the UK there is a requirement that its disposal is priced at market value on a specified date rather than the arm's length price.</p>	<p>Section 147(7) Taxation (International and Other Provisions) Act 2010</p> <p><a href="http://www.legislation.gov.uk/ukpga/2010/8/section/147">http://www.legislation.gov.uk/ukpga/2010/8/section/147</a></p> <p>Chapter 4, Part 8 Corporation Tax Act 2010</p> <p><a href="http://www.legislation.gov.uk/ukpga/2010/4/part/8/chapter/4">http://www.legislation.gov.uk/ukpga/2010/4/part/8/chapter/4</a></p>												

## Comparability Analysis

7	<p><b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b></p> <p>Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on comparability analysis contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.</p>	<p>Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a></p>
8	<p><b>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</b></p>	<p><input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b></p>	
9	<p><b>Does your tax administration use secret comparables for transfer pricing assessment purposes?</b></p>	<p><input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b></p>	
10	<p><b>Does your legislation allow or require the use of an arm's length range and/or statistical measure for determining arm's length remuneration?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b></p> <p>Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on comparability analysis contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.</p>	<p>Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a></p>
11	<p><b>Are comparability adjustments required under your domestic legislation or regulations?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b></p> <p>Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on comparability adjustments contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.</p>	<p>Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a></p>

## Intangible Property

12	<b>Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		<p>The general legislative rules for transfer pricing of transactions at the arm's length price apply to intangibles.</p>	
13	<b>Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard to value intangibles (HTVI)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a>
		<p>Not specifically but any guidance incorporated within the OECD Transfer Pricing Guidelines is effectively incorporated within the legislation by the requirement to interpret that legislation as best secures consistency with those Guidelines. Consequently, the guidance and rules on HTVI within the amendments to the TP Guidelines made by the BEPS Actions 8-10 Final Report are indirectly incorporated within our legislation.</p>	
14	<b>Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

## Intra-group Services

15	<b>Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a>
		<p>Not specifically but any guidance incorporated within the OECD Transfer Pricing Guidelines is effectively incorporated within the legislation by the requirement to interpret that legislation as best secures consistency with those Guidelines. Consequently, the guidance and rules on intra-group service transactions within the amendments to the TP Guidelines made by the BEPS Actions 8-10 Final Report are indirectly incorporated within our legislation.</p>	

16	<b>Do you have any simplified approach for low value-adding intra-group services?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a>
		Given the requirement for interpretation of our legislation as best secures consistency with the OECD Transfer Pricing Guidelines, the guidance on low value-adding intra-group services, including the simplified determination of arm's length charges for these services contained in the OECD Transfer Pricing Guidelines is effectively incorporated within our legislation.	
17	<b>Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>	
<b>Cost Contribution Agreements</b>			
18	<b>Does your jurisdiction have legislation or regulations on cost contribution agreements?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>	Section 164 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/164">http://www.legislation.gov.uk/ukpga/2010/8/section/164</a>
		Not specifically but any guidance incorporated within the OECD Transfer Pricing Guidelines is effectively incorporated within the legislation by the requirement to interpret that legislation as best secures consistency with those Guidelines. Consequently, the guidance and rules on cost contribution arrangements within the amendments to the TP Guidelines made by the BEPS Actions 8-10 Final Report are indirectly incorporated within our legislation.	

## Transfer Pricing Documentation

19	<p><b>Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p><i>If affirmative, please check all that apply:</i></p> <p><input type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input type="checkbox"/> Other (specify):</p>	<p>Taxes (Base Erosion and Profit Shifting) (Country-by-Country) Reporting Regulations 2016</p> <p><a href="http://www.legislation.gov.uk/uksi/2016/237/contents/made">http://www.legislation.gov.uk/uksi/2016/237/contents/made</a></p>
20	<p><b>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</b></p>	<p>The <u>CbC report</u> has to be filed with HMRC within 12 months following the end of the period it relates to.</p> <p>The UK does not require either a <u>master</u> or <u>local file</u> to be filed with HMRC. HMRC requires that transfer pricing documentation should be retained to support the arms-length pricing. Such documentation should be proportionate to the size and complexity of the transactions or business involved and should be the same as that specified in Annexes I and II of the Action 13 report.</p>	
21	<p><b>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p>There are penalties for not filing a CbC report and also for inaccurate information when filing a CbC report.</p> <p>Additionally, a penalty may be charged for false or misleading statements made in connection with an application for an Advance Pricing Agreement.</p>	<p>Taxes (Base Erosion and Profit Shifting) (Country-by-Country) Reporting Regulations 2016</p> <p>Section 227 Taxation (International and Other Provisions) Act 2010</p> <p><a href="http://www.legislation.gov.uk/ukpga/2010/8/section/227">http://www.legislation.gov.uk/ukpga/2010/8/section/227</a></p>
22	<p><b>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</b></p>	<p>N/A</p>	

## Administrative Approaches to Avoiding and Resolving Disputes

23	<b>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</b>	<p>Please check those that apply:</p> <p><input type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement programs</p> <p><input checked="" type="checkbox"/> Advance Pricing Agreements (APA)</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Unilateral APAs</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Bilateral APAs</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Multilateral APAs</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input type="checkbox"/> Other (<i>please specify</i>):</p>	<p>Part 5, Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/part/5">http://www.legislation.gov.uk/ukpga/2010/8/part/5</a></p> <p>Statement of Practice 2/10 <a href="https://www.gov.uk/government/publications/statement-of-practice-2-2010/statement-of-practice-2-2010">https://www.gov.uk/government/publications/statement-of-practice-2-2010/statement-of-practice-2-2010</a></p> <p>Statement of Practice 1/11 <a href="https://www.gov.uk/government/publications/statement-of-practice-1-2011">https://www.gov.uk/government/publications/statement-of-practice-1-2011</a></p> <p>Section 124, Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/124">http://www.legislation.gov.uk/ukpga/2010/8/section/124</a></p>
----	---	--	--

## Safe Harbours and Other Simplification Measures

24	<b>Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?</b>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
25	<b>Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.</b>	<p>We have an exemption from our transfer pricing legislation for small or medium-sized enterprises.</p> <p>The definition of “small” and “medium-sized” enterprises is given in our legislation linked to that in the Annex to the EU Commission Recommendation 2003/361/EC of 6 May 2003.</p>	<p>Section 166 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/166">http://www.legislation.gov.uk/ukpga/2010/8/section/166</a></p> <p>Section 172 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/172">http://www.legislation.gov.uk/ukpga/2010/8/section/172</a></p>



### Other Legislative Aspects or Administrative Procedures

26	<b>Does your jurisdiction allow/require taxpayers to make year-end adjustments?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 147 Taxation (International and Other Provisions) Act 2010 <a href="http://www.legislation.gov.uk/ukpga/2010/8/section/147">http://www.legislation.gov.uk/ukpga/2010/8/section/147</a>
		The statutory requirement is that “The profits and losses of the potentially advantaged person are to be calculate for tax purposes as if the arm’s length provision had been made or imposed instead of the actual provision” which only requires that the profits returned for tax purposes reflect those which would have been achieved at arm’s length during the relevant period. There is no requirement that each separate transaction throughout the period be at an arm’s length price.	
27	<b>Does your jurisdiction make secondary adjustments?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>	

### Other Relevant Information

28	<b>Other legislative aspects or administrative procedures regarding transfer pricing</b>		
29	<b>Other relevant information</b> (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i> )		