

# Seychelles

## Transfer Pricing Country Profile

Updated August 2018

	SUMMARY	REFERENCE
<b>The Arm's Length Principle</b>		
1	<p><b>Does your domestic legislation or regulation make reference to the Arm's Length Principle?</b></p> <p><input checked="" type="checkbox"/> <b>Yes</b>  <input type="checkbox"/> <b>No</b></p> <p>Seychelles' the Transfer Pricing provisions endorse the arm's length principle, as per section 54(1) of the Business Tax ACT, 2009:</p> <p><b>BTAX ACT, 2009 - section 54(1):</b></p> <p>The Commissioner General may, in respect of –</p> <p>(a) a transaction between businesses carried on by persons who are associates;  or  (b) a transaction between businesses carried on by the same person,</p> <p>distribute, apportion, or allocate income or gain and expenses between the businesses as is necessary to reflect the outcome that would have arisen in a transaction between the independent persons dealing with each other at arm's length.</p> <p>Seychelles also relies on the Business Tax ACT, 2009, section 4 that provides for the fair market value. The fair market value is defined in this section as follows:</p> <p><b>BTAX ACT, 2009 - section 4:</b></p> <p>(1) The fair market value of an asset, property, service, or benefit at a particular time is the ordinary open market value of the asset, property, service, or benefit at that time.</p> <p>(2) If it is not possible to determine the fair market value of an asset, property, service, or benefit at a particular time under subsection (1), the fair market value is the consideration of a similar asset, property, service, or benefit would ordinarily fetch in the open market at that time, adjusted to take account of the differences between the similar asset, property, service, or benefit.</p>	<p>Section 54(1) of Business Tax ACT, 2009</p> <p>Section 4 of the Business Tax ACT, 2009  <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a></p>

		If the fair market value of an asset, property, service, or benefit cannot be determined under subsection (1) or (2), the fair market value is the amount determined by the Commissioner General.	
2	<b>What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?</b>	<p>The OECD Transfer Pricing Guidelines is not explicitly included in the Seychelles legislation as being the sole guideline that may be used, but section 54(2) of the Business Tax ACT, 2009 contains a reference to international standards, case law, and guidelines on transfer pricing issued by international organisations concerned with taxation. Thus, the OECD guidelines alongside the UN Practical Manual on TP for developing countries are guides that could be used for referencing and interpretation when SRC auditors deal with TP cases.</p> <p><b>BTAX ACT, 2009 - section 54(2):</b></p> <p>In applying subsection (1), the Commissioner General may be guided by international standards, case law, and guidelines on transfer pricing issued by international organisations concerned with taxation.</p>	<p>Section 54(2) of Business Tax ACT, 2009  <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a></p>
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>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>A specific definition of related parties is not provided by Seychelles' legislation. However, reference is made to the definition of associates, which is regarded as being in accordance with the definition of related parties, based on section 3 of the Business Tax ACT, 2009.</p> <p><b>BTAX ACT, 2009 - section 3:</b></p> <p>(1) Subject to subsection (2), two persons are associates if the relationship between them is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.</p> <p>(2) Two persons are not associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person.</p> <p>(3) Without limiting the generality of subsection (1), the following are treated as associates –</p> <p>(a) an individual and a relative of the individual, except if the Commissioner General is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other;</p> <p>(b) a partner in a partnership and the partnership, if the partner, either alone or together with an associate or associates under another application of this</p>	<p>Section 3 of Business Tax ACT, 2009  <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a></p>

		<p>section controls fifty per cent or more of the rights to income or capital of the partnership;</p> <p>(c) a trust and a person who benefits or may benefit under the trust whether through the exercise of a power of appointment or otherwise;</p> <p>(d) a member in an entity and the entity, if the member, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –</p> <p>(i) fifty per cent or more of the voting power in the entity;</p> <p>(ii) fifty per cent or more of the rights to a distribution of profits; or</p> <p>(iii) fifty per cent or more of the rights to a return of capital, or</p> <p>(e) two entities, if a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –</p> <p>(i) fifty per cent or more of the voting power in both entities;</p> <p>(ii) fifty per cent or more of the rights to a distribution of profits in both entities; or</p> <p>(iii) fifty per cent or more of the rights to a return of capital in both entities.</p> <p>(4) In applying subsection (3)(d) or (e) holdings that are attributable to a person from an associate are not reattributed to another associate.</p> <p>(5) In this section, “relative” in relation to an individual, means related by blood, marriage, or adoption;</p>	
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**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 type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" data-bbox="692 1098 1543 1259"> <thead> <tr> <th>CUP</th> <th>Resale Price</th> <th>Cost Plus</th> <th>TNMM</th> <th>Profit Split</th> <th>Other (<i>If so, please describe</i>)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table> <p>Seychelles’ legislation does not provide for transfer pricing methods. However, given the provision in Section 54(2), Seychelles relies on the OECD TP Guidelines and the UN Practical Manual on TP for developing countries, and therefore the methods above are applicable.</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other ( <i>If so, please describe</i> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other ( <i>If so, please describe</i> )										
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>										

5	<b>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</b>	<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 (<i>if so, please explain</i>)</p> <hr/> <p>The methods provided by the OECD TP Guidelines and the UN Practical Manual on TP for developing countries are sought in the application of the transfer pricing methods.</p> <p>Moreover, Seychelles has a Public Ruling 2015-3 in place, which reflects the possibility for Seychelles to use the Most Appropriate Method.</p>	<a href="https://www.src.gov.sc/pages/resources/rulings_earch.aspx">https://www.src.gov.sc/pages/resources/rulings_earch.aspx</a>
6	<b>If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.</b>	<p><input checked="" type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p> <hr/> <p>Seychelles has not done any TP case on commodity transactions yet, but only on services.</p> <p>Given the provision in Section 54(2), Seychelles relies on the OECD TP Guidelines and the UN Practical Manual on TP for developing countries, and therefore the approach in paragraph 2.18 -2.22 of the TPG may be followed.</p>	
<b>Comparability Analysis</b>			
7	<b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <hr/> <p>There is no explicit provision on comparability but given the provision in Section 54(2), Seychelles may follow the OECD TP Guidelines and the UN Practical Manual on TP for developing countries.</p>	
8	<b>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</b>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	

		There is no specific requirement in the law.	
9	<b>Does your tax administration use secret comparables for transfer pricing assessment purposes?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	<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>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  Based on section 54(1) of the Business Tax ACT, 2009, Seychelles' legislation does not require the use of the arm's length statistical measure for determining arm's length remuneration. However, given the requirement in Section 54(2), Seychelles may follow the OECD TP Guidelines and the UN Practical Manual on TP for developing countries in this respect.	Section 54(1) of the Business Tax ACT, 2009 <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a>
11	<b>Are comparability adjustments required under your domestic legislation or regulations?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  The Business Tax ACT, 2009, section 4, provides for the comparability adjustment. Accordingly, it is provided that: <i>"If it is not possible to determine the fair market value of an asset, property, service, or benefit at a particular time under subsection (1), the fair market value is the consideration of a similar asset, property, service, or benefit would ordinarily fetch in the open market at that time, adjusted to take account of the differences between the similar asset, property, service, or benefit."</i>  Furthermore, given the requirement in Section 54(2) Seychelles may rely on the guidance in the OECD TP Guidelines on comparability adjustments and on the UN Practical Manual on TP for developing countries.	Section 4 of the Business Tax ACT, 2009 <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a>
<b>Intangible Property</b>			
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  The Seychelles legislation does not contain any specific guidance on the pricing of controlled transactions involving intangibles. However, given the provision in section 54(2) of the Business Tax ACT, 2009, Seychelles relies on the OECD TP	Section 2 of the Business Tax ACT, 2009 <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a>

		<p>guidelines and the UN Practical Manual on TP for developing countries on Intangibles.</p> <p>In addition to that, section 2 of the Business Tax ACT, 2009, provides for the definition of intangibles as follows:</p> <p><b>BTAX ACT, 2009 - section 2:</b></p> <p>“Intangible” means –</p> <ul style="list-style-type: none"> <li>(a) Any patent, invention, design or model, secret formula or process, trademark, copyright, or other like property or right;</li> <li>(b) Contractual rights with a benefit for a period of more than one year; or</li> <li>(c) Any expenditure that provides an advantage or benefit for a period of more than one year, other than expenditure incurred to acquire any intangible movable or immovable property;</li> </ul>	
13	<p><b>Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard to value intangibles (HTVI)?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Seychelles laws do not provide for transfer pricing rules or special measures regarding HTVI. However, given Section 54(2), Seychelles may follow the OECD TP Guidelines and the UN Practical Manual on TP for developing countries.</p>	
14	<p><b>Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Intra-group Services</b>			
15	<p><b>Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Given Section 54(2), Seychelles may follow the OECD TP Guidelines and the UN Practical Manual on TP for developing countries.</p>	<p>Section 54(2) of Business Tax ACT, 2009</p> <p><a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a></p>
16	<p><b>Do you have any simplified approach for low value-adding intra-group services?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	<p>Section 4 of the Business Tax ACT, 2009</p> <p><a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a></p>

		There is no simplified approach for LVAIGS. For LVAIGS, as per other type of intra-group services transactions, Seychelles relies on the Fair Market Value and is regulated under section 4 of the Business Tax ACT, 2009.	
17	<b>Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 2(a) of the Business Tax (Amendment) ACT, 2012  <a href="https://www.src.gov.sc/resources/Legislations/BusinessTaxAmendment.pdf">https://www.src.gov.sc/resources/Legislations/BusinessTaxAmendment.pdf</a>
		<p>Seychelles has the withholding tax for the technical service fees which is defined in section 2(a) of the Business Tax (Amendment) ACT, 2012.</p> <p><b>Section 2(a) of the Business Tax (Amendment) ACT, 2012 –</b></p> <p>“technical service fee” means an amount whether periodical or lump sum as a consideration for –</p> <ul style="list-style-type: none"> <li>(i) Rendering any managerial, technical or consultancy services including the services of technical or other personnel;</li> <li>(ii) The supply of any technical, industrial, commercial or scientific knowledge, experience or skill;</li> <li>(iii) The supply of services which are ancillary and subsidiary for which royalties are received”</li> </ul> <p>Based on section 4 and 9(a) of the First schedule of the Business Tax ACT, 2009, the rate of withholding tax under section 8 and section 66 respectively, of the same ACT, is 15%, in terms of technical service fee.</p>	
<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>	
		Seychelles does not have any legislation on cost contribution agreements. However, given Section 54(2), Seychelles may follow the OECD TP Guidelines on Cost Contribution Agreements and the UN Practical Manual on TP for developing countries.	

## Transfer Pricing Documentation

19	<p><b>Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</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 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>	
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>Seychelles legislation or regulation does not require taxpayers to prepare transfer pricing documentation. However, the Public Ruling 2015-3 states that documentation must be prepared prior to the due date for filing of the business tax return and submitted to the tax authority within five days upon written request.</p>	<p><a href="https://www.src.gov.sc/pages/resources/rulings_earch.aspx">https://www.src.gov.sc/pages/resources/rulings_earch.aspx</a></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 type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No specific transfer pricing penalties or compliance incentives regarding transfer pricing documentation are provided by Seychelles' legislation. In the absence of compliance which would result in an adjustment the additional tax and interest for late payment of the new revenue liability would apply. In addition to this there are also culpability penalties which take into account the taxpayer behaviour in imposing additional tax. Where there has been a public ruling issued, and the taxpayer has voluntarily ignore the position of the tax office on a matter, the tax office will consider that the omission is caused by recklessness and therefore the additional applicable would be 50% rather that 25% for failure to take reasonable care.</p> <p>Therefore, where a taxpayer does not abide by the directives under the Public Ruling 2015-3 on Transfer Pricing, and an adjustment is made, the person will suffer additional tax of 10%, interest for late payment and additional tax of 50%</p>	<p>Section 41 &amp; 44(1) of the Revenue Administration ACT, 2009.</p> <p>Section 44A of the Revenue Administration (Amendment) ACT, 2009</p> <p><a href="https://www.src.gov.sc/resources/Legislations/Revenue%20Administration%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Revenue%20Administration%20Act%202009.pdf</a></p>



**Interest - section 41 of the Revenue Administration ACT, 2009 –**

(1) a taxpayer who fails to pay revenue by the due date is liable for interest on the amount unpaid computed for the period commencing on the due date for payment and ending on the date that the revenue was paid.

(2) The rate of interest for the purposes of subsection (1) is the quarterly average prime lending rate on the first day of the period specified in subsection (1) as published by the Central Bank of Seychelles increased by three percentage points.

(3) Interest paid by a taxpayer under subsection (1) shall be refunded to the taxpayer to the extent that the revenue to which the interest relates is found not to have been payable.

(4) Interest payable under this section-

(a) is computed as simple interest; and

(b) is in addition to any additional tax or criminal sanction imposed in respect of the same act or omission.

(5) In this section, “revenue” does not include interest imposed under this section.

**Section 44(1) of the Revenue Administration Act, 2009-**

A taxpayer who fails to pay revenue by the due date, or if the Revenue Commissioner has extended the due date under section 22, is liable for an amount of additional tax equal to 10% of the amount of unpaid revenue.

**Culpability Penalty – section 44A of the Revenue Administration (Amendment ACT), 2015**

Where a person –

Makes a statement to a revenue officer which is false or misleading and which results in a revenue shortfall; or

Is assessed in accordance with section 9 of this Act,

The person is liable for an amount of additional tax in accordance with subsection (2).

The amount of additional tax referred to in subsection (1) shall be equal to –

In case of statement under subsection (1)(a)-

25% of the revenue shortfall where the statement being made by failure to take reasonable care to comply with revenue laws;

		<p>50% of the revenue shortfall where the statement being made with recklessness as to the operation of revenue laws; or</p> <p>75% of the revenue shortfall where the statement being made with intentional disregard of revenue laws; or</p> <p>In case of an assessment under subsection (1)(b), 75% of the revenue liability.</p> <p>Where a person has been previously liable to additional tax referred to in this section, the amount of additional tax under subsection (2) shall be increased by 20%.</p> <p>For the purpose of this section, -</p> <p>A revenue shortfall is –</p> <p>The amount by which the revenue liability of the person is less than it would have been if the statement was not false or misleading; or</p> <p>An amount the Commissioner must pay or credit the person that is more than it would have been if the statement were not false or misleading.</p> <p>The revenue liability does not include the interest or additional tax.”</p>	
22	<b>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</b>	N/A	
<b>Administrative Approaches to Avoiding and Resolving Disputes</b>			
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 checked="" type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement programs</p> <p><input type="checkbox"/> Advance Pricing Agreements (APA)</p> <p style="padding-left: 20px;"><input type="checkbox"/> Unilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Bilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Multilateral APAs</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input checked="" type="checkbox"/> Other (<i>please specify</i>):</p>	

		<p>Seychelles is allowed by law to issue public rulings that would set the position of the tax office on a matter that causes difficulties of interpretation.</p> <p>Seychelles also has a DTAA network which is quite important and which provides for MAP.</p> <p>There is also nothing in Seycheles' law, which prevents us from issuing advance pricing agreement.</p> <p>When a taxpayer is dissatisfied with any revenue decisions, he can object to the unit in charge of dealing with objection at the tax office and if still dissatisfied, he can appeal to the Revenue Tribunal. The Revenue Tribunal is a body created under the revenue law and is specialised in dealing with tax disputes.</p>	
<b>Safe Harbours and Other Simplification Measures</b>			
24	<b>Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		No rules on safe harbours are available for Seychelles.	
25	<b>Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.</b>	N/A	
<b>Other Legislative Aspects or Administrative Procedures</b>			
26	<b>Does your jurisdiction allow/require taxpayers to make year-end adjustments?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		Seychelles does not have specific laws for year-end adjustments.	
27	<b>Does your jurisdiction make secondary adjustments?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		Currently, no secondary adjustments are available in the Seychelles legislation.	

## Other Relevant Information

28	<b>Other legislative aspects or administrative procedures regarding transfer pricing</b>	Seychelles follows the OECD TP Guidelines and the UN Guidelines.	Section 54(2) of the Business Tax ACT, 2009. <a href="https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf">https://www.src.gov.sc/resources/Legislations/Business%20Tax%20Act%202009.pdf</a>
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> )	Seychelles is currently in the process of drafting CbCR legislation and amending section 54 in order to be aligned with international practice whereby the obligation to use the arm's length standards when arrangement exist between associates shall be automatic.	