International Cooperation in Transfer Pricing
A joint initiative by the OECD, the WB/IFC and the EU

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Transfer Pricing Sub-group Meeting
Paris, March 8th, 2013
Increased international awareness of Transfer Pricing as a development issue:

**G20**: identified TP as a central element of domestic resource mobilization urging OECD Task Force on Tax and Development, the World Bank and other IOs to:

“help developing countries’ tax MNEs through effective transfer pricing”. (June 2011)

**IOs**: UN, OECD, World Bank, IMF, EU - technical and policy support, capacity building, practical manuals and toolkits

**ROs**: ATAF (Pan-African TP programme underway), CIAT

**NGOs**: Christian Aid, Action Aid, Revenue Watch, PWYP - campaigns echoing global concerns on tax fairness and inequality; large corporations’ tax avoidance and profits shifting

**Donors**: GIZ, SECO

... reflecting a globalised economy, dominated by multinational enterprises

Formation of OECD Task Force on Tax and Development (2011)

+ EU study on "Transfer Pricing and Developing Countries"

Under Tax and Development auspices

OECD-EU-WB/IFC Joint Initiative on Transfer Pricing
OECD Tax and Development Programme

- **Joint initiative** of the OECD Committee on Fiscal Affairs (CFA) and Development Assistance Committee (DAC)
- **Four pillars of the programme**: Transfer pricing; State-building, taxation and aid; Transparency and exchange of information; Transparency in the reporting by MNEs of financial data
- **Transfer Pricing pillar**:
  - **Objective**: address cross-border profit-shifting and/or capacity constraints in developing countries
  - Relies on **international co-operation** through a partnership with the EU and World Bank
  - Is integrated with **existing country tax reform initiatives** – working with donor agencies on the ground
  - Also provides **assistance to regional organisations** (e.g. ATAF) in delivering their work programmes on transfer pricing and the development of new guidance and tools
  - Tests the applicability and relevance of **OECD guidance** on transfer pricing to the developing country context
The European Union Domestic Revenue Mobilization Agenda

- **Grounded in the Commission's Communications** on “Taxation and Development”, “Agenda for Change” and “Budget Support”

- **Shift traditional PFM focus** on mostly expenditure side to a more comprehensive view that seeks to:
  - help improve tax systems within developing countries
  - work towards a transparent, cooperative and fair international tax environment

- **Transfer pricing:**
  - EU study: “Transfer Pricing and Developing Countries”
    - highlighted the favourable impact of adoption of (sensible) TP rules on DRM and investment climate
    - ...and the major challenges faced by developing countries: building up expertise and capacity; availability of comparable data, effective dispute resolution, etc.
  - **UN Practical Manual** on Transfer Pricing

- **Implementation**
  - part of the **EU strategy** for promoting good tax governance
  - embedded efforts into **PFM reforms**, support for **regional initiatives** (ATAF, ECOWAS) and **EU Budget Support**
  - mindful of balance between business climate and government revenue needs
  - joined forces with the **OECD and World Bank**
World Bank/IFC Investment Climate Perspective

- Investment Climate Global Tax Programme’s objectives:
  - **Investment and competitiveness**- enhance country competitiveness, investment potential through fostering a transparent and predictable tax system that is equally applied to all (workstreams: Transfer Pricing, Incentives, VAT Reform)
  - **Inclusion**- widen participation in the tax system at all levels but with particular focus on micro, small, and medium sized enterprises (SME taxation)
  - **Domestic resource mobilization**- enhance the ability to raise revenues in the long run through more effective tax administration and widening the tax base (Compliance Management, Transfer Pricing, VAT)
  - **Governance**- promote good governance through transparent systems and procedures and effective audit (Tax Transparency, Incentives, Compliance Management)
  - **Global standards and norms**- provide support to achieve internationally-accepted standards and norms especially on tax transparency (Tax Transparency)

- The Programme provides both technical assistance on the ground and operational research through toolkits, notes, regional practitioners’ workshops, and other peer-to-peer events

- **Transfer Pricing**: implementation of TP frameworks (legal, regulatory, guidance), assessment tools to identify tax evasion risk, simplified approaches to ease compliance burdens (safe harbors); sector-specific capacity building in tax administrations
Joint Initiative on Transfer Pricing

- **Huge demand** from developing countries for assistance in the TP area
- **International cooperation is vital** to ensure that inputs of respective IOs comprise a coherent and sustainable country-level programmes
- **Country-tailored assistance and capacity building** in the areas of: transfer pricing legal drafting (including procedures and guidelines), organizational issues, risk assessment mechanism, thin capitalisation, intangibles, secondary adjustments, simplifications measures (e.g. safe harbours), APA, MAP
- **Medium- to long-term** comprehensive country support vs. **short-term** engagement on a demand-led basis
- Adoption of a **needs assessment approach** to diagnose country TP risk
- Development of **tools and training materials** to support TP capacity building
- Use of framework for **measuring impact** of countries’ programmes
- **On-going pilot country programmes:** Ghana, Kenya, Rwanda, Vietnam, Colombia, Honduras
- **Programmes in the pipeline:** Zambia, Ethiopia, Thailand, EAC, ECOWAS