

Canada

Transfer Pricing Country Profile¹

July 2025

| | | SUMMARY | REFERENCE |
|-----------------------------------|--|--|---|
| The Arm's Length Principle | | | |
| 1 | Does your domestic transfer pricing framework² make reference to the arm's length principle? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 247 of the Income Tax Act, RSC 1985, c 1 (5th Supp) (ITA) All of Canada's publicly available policies and information can be obtained on our external website: https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/transfer-pricing.html TPM-14, 2010 Update of the OECD Transfer Pricing Guidelines |
| 2 | Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Supreme Court of Canada decision: Canada v. GlaxoSmithKline Inc., 2012 SCC 52 |

¹ Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

² For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

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| | <p>application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?</p> | <p>Canada as a member of the OECD endorses the OECD Transfer Pricing Guidelines (TPG). The TPG provide guidance and have been referred to in court decisions, but are not law in Canada.</p> |
| 3 | <p>Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The concept of “arm’s length” is not defined in the ITA, although several deeming rules are relevant to its application. Subsection 251(2) of the ITA defines related persons. Paragraph 251(1)(a) deems related persons not to deal with each other at arm’s length. This is the case regardless of how they actually conduct their mutual business transactions.</p> <p>According to paragraph 251(2)(a) of the ITA, individuals connected by blood relationship, marriage, common-law partnership or adoption are related persons.</p> <p>Under paragraph 251(2)(b) of the ITA, a corporation will be related to another person (including another corporation) where:</p> <ul style="list-style-type: none"> (a) that person controls the corporation; (b) that person is a member of a related group that controls the corporation; or (c) that person is a person who is related to a person described in (a) or (b) above. <p>In addition, paragraph 251(2)(c) provides that two corporations will be related if:</p> <ul style="list-style-type: none"> (i) the two corporations are controlled by the same person or group of persons; (ii) each of the corporations is controlled by one person and the person who controls one corporation is related to the person who controls the other corporation; (iii) one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation; (iv) one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation; (v) any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation; or | <p>Paragraph 251(1)(a) of the ITA</p> <p>Sub-section 251(2) of the ITA</p> <p>Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length provides further information</p> |

| | | <p>(vi) each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation</p> | | | | | | | | | | | | | |
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| Transfer Pricing Methods | | | | | | | | | | | | | | | |
| 4 | <p>Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?</p> | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <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><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </tbody> </table> <p>Canada's legislation does not specify any method to be used in respect of related party transactions. However, Canada's published domestic administrative guidance reflects our endorsement of Chapter II of the TPG.</p> | CUP | Resale Price | Cost Plus | TNMM | Profit Split | Other (<i>If so, please describe</i>) | <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"/> | | | | | | | | | | |
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| 5 | <p>Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?</p> | <p>Please check all that apply:</p> <input checked="" type="checkbox"/> Hierarchy of methods <input checked="" type="checkbox"/> Most appropriate method <input type="checkbox"/> Other (<i>if so, please explain</i>) | <p>Canada's legislation does not specify any method to be used in respect of related party transactions. However, Canada's published domestic administrative guidance reflects our endorsement of Chapter II of the TPG.</p> | | | | | | | | | | | | |
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| 6 | <p>Does your domestic transfer pricing framework contain specific guidance on commodity transactions?</p> | <p><input type="checkbox"/> Yes</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 type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input checked="" type="checkbox"/> No</p> | |
| Comparability Analysis | | | |
| 7 | <p>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> | <p>TPM-14, 2010 Update of the OECD Transfer Pricing Guidelines</p> |
| 8 | <p>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> | <p>In general, domestic comparables would be assumed to be more reliable in cases where the Canadian taxpayer is the tested party. However, foreign comparables are acceptable provided that they meet the same standards of comparability.</p> |
| 9 | <p>Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> | <p>TPM-04, Third Party Information</p> |

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| | | an administrative perspective, the use of secret comparables as the basis for an assessment is an approach of last resort. | |
| 10 | Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | <u>TPM-16, Role of Multiple Year Data in Transfer Pricing Analyses</u> |
| 11 | Are comparability adjustments required under your domestic transfer pricing framework? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| Intangible Property | | | |
| 12 | Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles? | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No (please provide further explanations below) <input checked="" type="checkbox"/> No | |
| 13 | | <input checked="" type="checkbox"/> Yes | |

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| | <p>Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?</p> | <input type="checkbox"/> No <p>There are a number of provisions in Canada's income tax legislation and regulations that address the domestic tax treatment of intangibles and assets in general.</p> | |
| Hard-to-Value Intangibles | | | |
| 14 | <p>Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?³</p> | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No (please provide further explanations below) <input checked="" type="checkbox"/> No | |
| Intra-group Services | | | |
| 23 | <p>Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?</p> | <input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (please provide further explanations below) <input type="checkbox"/> No | <u>TPM-15 Intra-group services and section 247 of the Income Tax Act</u> |

³ In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

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| 24 | <p>Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?</p> | <p><input type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p> | |
| 25 | <p>Are there any other rules outside your transfer pricing framework for pricing intragroup services?</p> | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> | |
| Financial Transactions | | | |
| 26 | <p>Does your domestic transfer pricing framework provide guidance specific to financial transactions?</p> | <p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p> | |
| 27 | <p>Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions? (e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> | |

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| | | <p>Canada operates a “thin capitalisation” regime that caps the proportion of related party cross-border interest that may be deducted by reference to a debt-equity ratio of 1.5:1.</p> <p>The government has introduced, starting in 2023, a rule limiting deductions of interest consistent with the recommendations of the BEPS Action 4 Report. It has also introduced anti-hybrid rules consistent with the BEPS Action 2 recommendations.</p> <p>More generally, there are a number of provisions in Canada’s income tax legislation and regulations that address the domestic tax treatment of financial transactions.</p> | |
| Cost Contribution Arrangements | | | |
| 28 | Does your jurisdiction allow cost contribution arrangements? | <p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p> <p>The determination of whether a CCA is arm’s length falls within our general transfer pricing rules as set out in Section 247 of the ITA. Canada’s legislation does not specify any method to be used in respect of cost contribution arrangements. However, Canada’s published domestic administrative guidance reflects our endorsement of the TPG.</p> | Section 247 of the ITA |

Transfer Pricing Documentation

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| <p>29 Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?</p> | <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG <input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input checked="" type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input checked="" type="checkbox"/> Other (specify): Canada requires specific filings concerning transfer pricing and offshore holdings. See specific references in the next column. | <p>T2 Schedule 19 – Non Resident Shareholder Information</p> <p>T2 Schedule 22 – Non Resident Discretionary Trust</p> <p>T2 Schedule 25 – Investment in Foreign Affiliates</p> <p>T2 Schedule 29 – Payments to Non-Residents</p> <p>T2 Schedule 44 – Non-Arm's Length Transactions</p> <p>T2 Schedule 97 - Additional Information on Non-resident Corporations in Canada</p> <p>T106 - Information Return of Non-Arm's Length Transactions with Non-Residents</p> <p>T1134 - Information Return Relating to Controlled and Not-Controlled Foreign Affiliates</p> <p>T1135 - Foreign Income Verification Statement</p> <p>T1141 - Information Return in Respect of Contributions to Non-Resident Trusts, Arrangements or Entities</p> <p>T1142 - Information Return in Respect of Distributions from and Indebtedness to a Non-Resident Trust</p> |
| <p>30 Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.)</p> | <p>Taxpayers are not obliged to file contemporaneous documentation with their tax return. However, failure to make reasonable efforts to determine and use arm's length prices exposes the taxpayer to transfer pricing penalties in the event that the tax administration (Canada Revenue Agency) makes transfer pricing adjustments that exceed the thresholds specified in sub-section 247(3) of the ITA.</p> | <p>Sub-sections 247(3) and 247(4) of the ITA</p> <p>TPM-05R - Requests for Contemporaneous Documentation</p> |

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| | | <p>A taxpayer is deemed not to have made reasonable efforts to determine and use arm's length transfer prices or allocations unless the taxpayer has prepared or obtained records or documents which provide a description that is complete and accurate in all material respects of the items listed in subparagraphs 247(4)(a)(i) through (vi). The documentation must be prepared or obtained on or before the taxpayer's documentation-due date for the tax year or fiscal period in which the transaction is entered into. The taxpayer must provide the records or documents specified in subsection 247(4) to the CRA within three months of service of a written request to do so.</p> <p>It may still be the case that a taxpayer has provided transfer pricing documentation within the specified timelines and still be subject to a transfer pricing penalty. This occurs where the tax administration finds that the documentation provided is not sufficient to demonstrate that the taxpayer made reasonable efforts to determine and use arm's length transfer prices.</p> | <p>TPM-09 - Reasonable efforts under section 247 of the Income Tax Act</p> |
| 31 | Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation? | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>See response to question 30.</p> | |
| 32 | Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations? | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> | |
| Administrative Approaches to Avoiding and Resolving Disputes | | | |
| 33 | Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes? | <p>Please check those that apply:</p> <p><input checked="" type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement or cooperative compliance programmes</p> <p><input checked="" type="checkbox"/> Advance Pricing Agreements (APA)</p> <p><input checked="" type="checkbox"/> Unilateral APAs</p> <p><input checked="" type="checkbox"/> Bilateral APAs</p> | |

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| | <p><input checked="" type="checkbox"/> Multilateral APAs</p> <p><input checked="" type="checkbox"/> International Compliance Assurance Programme (ICAP)</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input checked="" type="checkbox"/> Other</p> | |
| | <p>Taxpayers may appeal any reassessment, including those resulting from transfer pricing adjustments, to the Appeals Division of the CRA for an independent impartial review. Thereafter, recourse is also available through the Canadian court system.</p> <p>Where applicable, taxpayers may also file for relief from double taxation under the mutual agreement procedure provisions of Canada's tax treaties.</p> <p>Canada's practice is generally not to engage in both the mutual agreement procedure under a tax treaty and domestic dispute resolution remedies at the same time on the same issues. Taxpayers will be asked to select one process and suspend or terminate the other.</p> <p>Arbitration may be available for unresolved transfer pricing issues under the mutual agreement procedure of some tax treaties.</p> | <p>Canada's MAP Profile</p> |

Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities

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| 34 | <p>Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?⁴</p> | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Other (please elaborate)</p> | |
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⁴ In the case of jurisdictions that do not apply the simplified and streamlined approach (i.e. they responded "no" to question 34), it is not necessary to respond to questions 35, 36 and 38 and these questions will not be published as part of jurisdiction's transfer pricing country profile.

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| 37 | Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| Safe Harbours and Other Simplification Measures | | | |
| 39 | Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Other Legislative Aspects or Administrative Procedures | | | |
| 40 | Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, subsection 247(10) allows downward adjustments if in the opinion of the Minister, the circumstances are such that it would be appropriate that the adjustment be made. | Subsection 247(10) of the ITA TPM-03R Downward Transfer Pricing Adjustments |
| 41 | Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments? | <input type="checkbox"/> Yes. Year-end adjustments are required. <input checked="" type="checkbox"/> Yes. Year-end adjustments are allowed. <input type="checkbox"/> No Canada requires taxpayers to price their cross-border related-party transactions in accordance with the arm's length principle. A year-end adjustment is one way that this requirement may be met. | |
| 42 | | <input checked="" type="checkbox"/> Yes | Sub-Section 247(12)-(13) of the ITA |

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| | <p><input type="checkbox"/> No</p> <p>Sub-Section 247(12) of the ITA provides for a secondary adjustment on all transfer pricing adjustments. Broadly, the amount adjusted is deemed by this provision to be a dividend and withholding tax is applicable according to the relevant treaty rates. Sub-Section 247(13) provides that relief from secondary adjustments is available in certain circumstances.</p> | <p>TPM-02R Secondary transfer pricing adjustments, repatriation and Part XIII tax assessments</p> |
| Attribution of Profits to Permanent Establishments | | |
| <p>43 Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?</p> | <p><input checked="" type="checkbox"/> Article 7 as it read before 2010.</p> <p><input type="checkbox"/> If so, please indicate in how many treaties: Please see the response below</p> <p><input checked="" type="checkbox"/> Article 7 as it reads after 2010.</p> <p><input type="checkbox"/> If so, please indicate in how many treaties: Please see the response below</p> <p><input type="checkbox"/> Other (please provide additional details)</p> | <p>Canada has three tax treaties containing an Article 7 broadly in line with the OECD Model Tax Convention 2010 and 91 treaties containing an Article 7 as it read before 2010.</p> |
| <p>44 For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</p> | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No (please explain the approach used and which tax treaties are concerned)</p> <p>There is no implementation of the AOA where the applicable tax treaty does not contain the new version of Article 7 (OECD MTC 2010 and later).</p> | |

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| 45 | <p>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</p> | <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they do not follow the AOA (please provide a summary of the main features of these rules)</p> <p><input checked="" type="checkbox"/> No</p> | |
| Other Relevant Information | | | |
| 46 | <p>Other legislative aspects or administrative procedures regarding transfer pricing</p> | <p>The Transfer Pricing Review Committee of the Canada Revenue Agency provides administrative oversight of certain transfer pricing assessments. Details can be found in TPM-13 – Referrals to the Transfer Pricing Review Committee.</p> <p>Subsection 247(2.1) clarifies the interaction of subsection 247(2) and the other provisions of the ITA. The subsection provides an ordering for the application of the transfer pricing adjustments in the context of the provisions of the Act: the transfer pricing rules apply in priority to the application of the other provisions of the ITA.</p> | <p>TPM-13 – Referrals to the Transfer Pricing Review Committee</p> <p>Explanatory Notes Relating to the Income Tax Act and Other Legislation- Canada.ca</p> |
| 47 | <p>Other relevant information (e.g. whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire)</p> | <p>Canada has previously announced its intention to update its transfer pricing rules.</p> | <p>Part 4 - Fair and Responsible Government Budget 2021</p> |

For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>