OECD TRANSFER PRICING GUIDELINES FOR
MULTINATIONAL ENTERPRISES AND TAX ADMINISTRATIONS

DISCUSSION DRAFT OF PART I

Today the OECD is issuing for public comment a discussion draft of the first part of its revised Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. This part of the Guidelines describes the arm’s length principle (Chapter I), examines the traditional transaction-based methods used to apply this principle (Chapter II) and discusses the use of profit methods (profit split method and comparable profit method (Chapter III). Chapter III also contains a strong condemnation of global formulary apportionment methods (often referred to as Unitary Taxation).

The main conclusions that emerge from this Part of the revised guidelines are a reconfirmation of the arm’s length principle, a recognition that transaction-based methods are the preferred way to apply this principle and the need for guidelines on the limited use of profit methods as methods of last resort.

The Discussion Draft reflects the current status of the work on this topic at the OECD as of the time of release but final approval will be taken up only in light of the public comments received on Part I and when Part I can be considered together with Part II (which will include guidance on documentation).

Public comments on this discussion draft are invited and should be submitted in writing to the OECD Secretariat (Jeffrey Owens, Head, Fiscal Affairs) before 31 October 1994.

Journalists may obtain a copy of the report from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89 - fax. 45 24 80 03).

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