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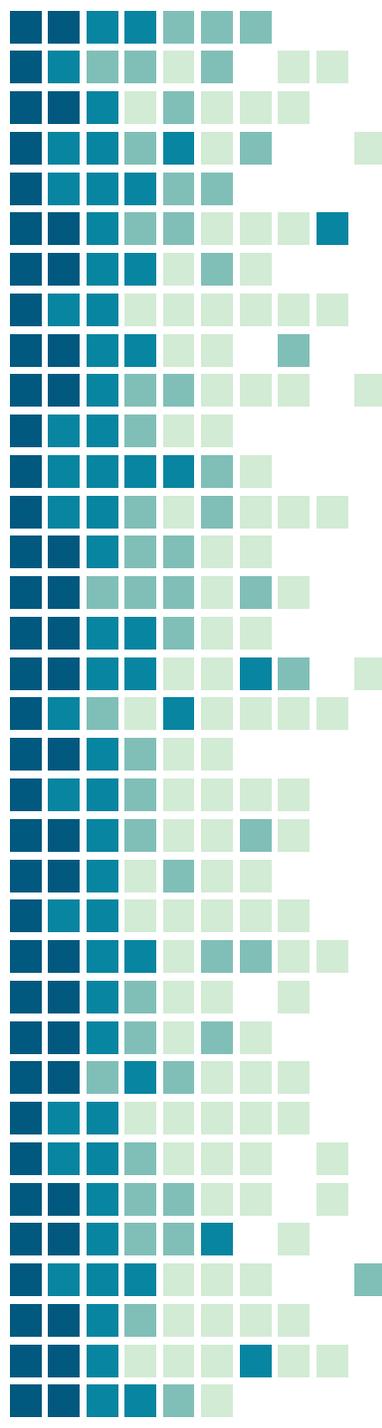
Revised United Nations Practical Manual on Transfer Pricing

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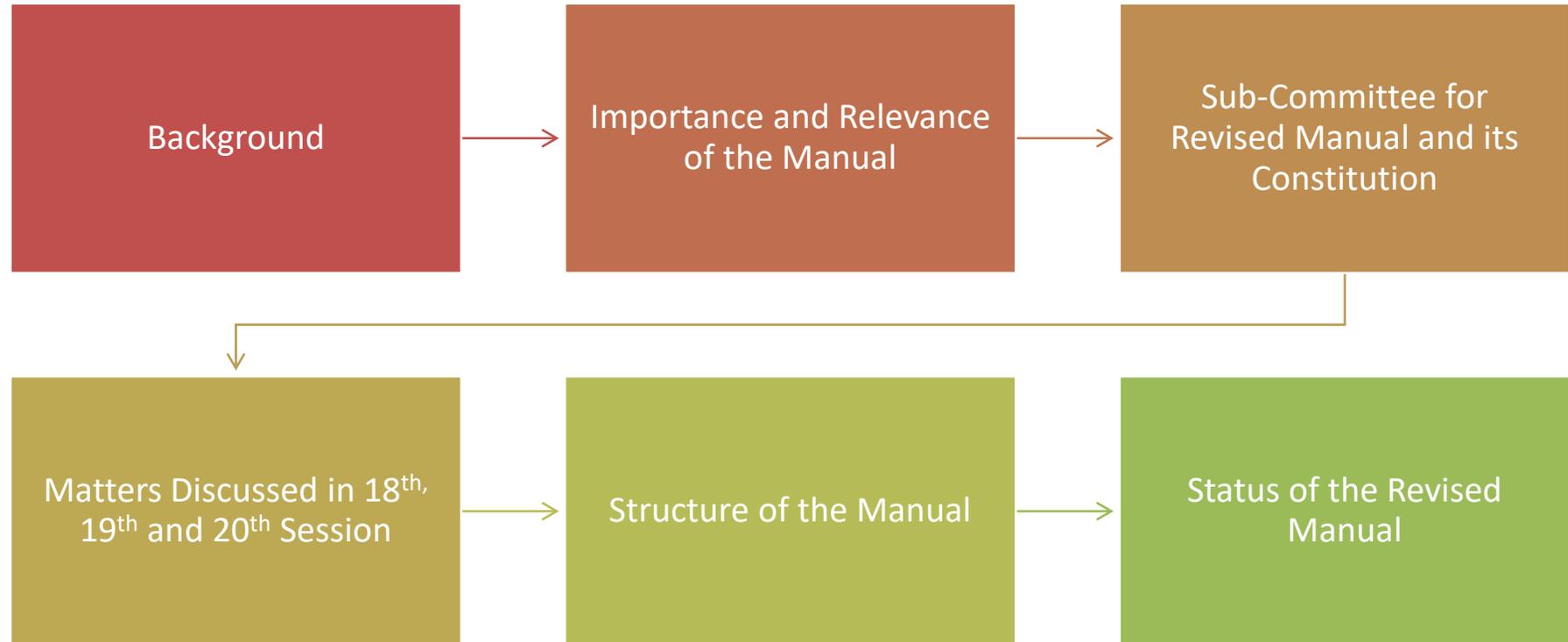
Research Credits

Sundarrajan S

Legends used in the Presentation

Committee	Committee of Experts on International Cooperation in Tax Matters
Manual	United Nations Practical Manual on Transfer Pricing for Developing Countries
MNE	Multinational Enterprises
OECD	Organization for Economic Cooperation and Development
TP	Transfer Pricing
UN	United Nations

Presentation Scheme



Background

The Committee of Experts on International Cooperation in Tax Matters (“the Committee”) began its work on the United Nations Practical Manual on Transfer Pricing for Developing Countries (“the Manual”) in 2009, when it established its first Subcommittee on Transfer Pricing

The Manual was adopted by the Committee during its 2012 Session and was issued in print form in 2013

The second edition of the Manual was finalized and published in 2017

The 2017 update improved the accessibility and relevance of the Manual and included, in response to developing country feedback, new chapters on intra-group services, cost contribution arrangements and treatment of intangibles

Importance and Relevance of TP Manual

- The Manual aims at **providing clearer guidance on the policy and administrative aspects of applying TP analysis** to the transactions of multinational enterprises (MNEs)
- The Manual **helps developing countries to counter profit shifting**, which deprives them of substantial revenues to finance their development
- The Manual also **focuses on challenges faced by certain developing countries** (Brazil, China, India, etc.) which would be helpful in addressing practical difficulties faced by those developing countries in implementing TP analysis
- The Manual **seeks to minimize potential double taxation disputes** among countries while **combating potential mispricing (pricing that is not in accordance with the arm's length standard) of internal transactions within a MNE** for profit shifting between jurisdictions
- The Manual **addresses the difficulties faced, especially by developing countries, in applying some of the OECD TP Guidelines** and the need for clear and practical guidance for those countries

Sub-Committee for Revised Manual

During the 15th session of the Committee in 2017, a new Subcommittee on Article 9 (Associated Enterprises): Transfer Pricing (“the Subcommittee”) was formed

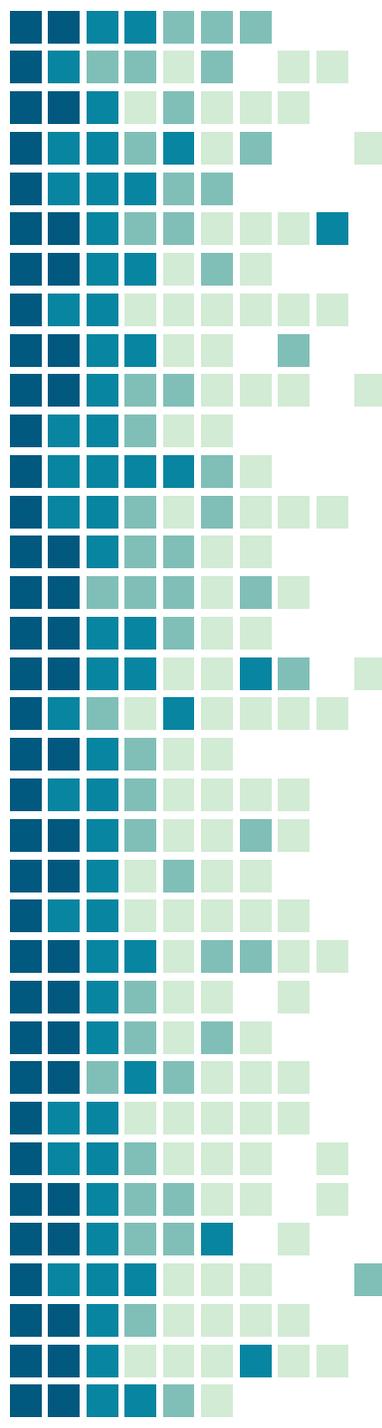
The Subcommittee was mandated to review and update the Manual, based on the following principles:

- That it reflects the operation of Article 9 of the UN Model Convention, and the Arm’s Length Principle embodied in it, and is consistent with relevant Commentaries of the UN Model;
- That it reflects the realities for, and the needs of, developing countries, at their relevant stages of capacity development;
- That special attention should be paid to the experience of developing countries, and the issues and options of most practical relevance to them; and
- That it draws upon the work being done in other forums

Subcommittee should give due consideration to the outcome of the OECD/G20 Action Plan on Base Erosion and Profit Shifting as concerns transfer pricing

Subcommittee shall report on its progress at the sessions of the Committee and provide its final updated draft Manual for discussion and adoption not later than the 22nd Session in 2021

Constitution of the Sub-Committee



Subcommittee currently comprises 27 participants from: tax administrations, academia, international organizations and the private sector, including from multinational enterprises and advisers

Subcommittee participants are organized in several drafting groups

Because of the many issues and perspectives in this area, a Subcommittee of this size and diversity has been considered necessary

Matters Discussed in 18th Session

- 18th Session of the Committee took place during 23rd to 26th April 2019
- Texts which were presented to the Committee for **first discussion and guidance during the 18th session** are as follows:

Proposed new Chapter B on Financial Transactions - The draft discusses the importance of corporate financing decisions within multinational groups and how those decisions could lead to tax base erosion

Revision to the guidance contained in the Manual on the transactional profit-split method

A progress draft of the work on

- Establishing Transfer Pricing Capability in Developing Countries
- Risk Assessment and
- Transfer Pricing Audits

During the period between the end of this Session and commencement of 19th Session, the Sub-Committee held meetings to further update the texts presented for first discussion in this Session

Matters Discussed in 19th Session

All the matters discussed in the 18th Session (given in previous slide) are put for second consideration and approval in the 19th Session

- 19th Session of the Committee took place during 15th to 18th October 2019
- Texts which were presented to the Committee for **first discussion and guidance during the 19th session** are as follows:

A revised Chapter on Comparability – main purpose of this update on comparability is to seek consistency between the Manual and the Platform for Collaboration on Tax Toolkit on Comparability

Revised and additional guidance on Group Synergies and Centralized Procurement Functions

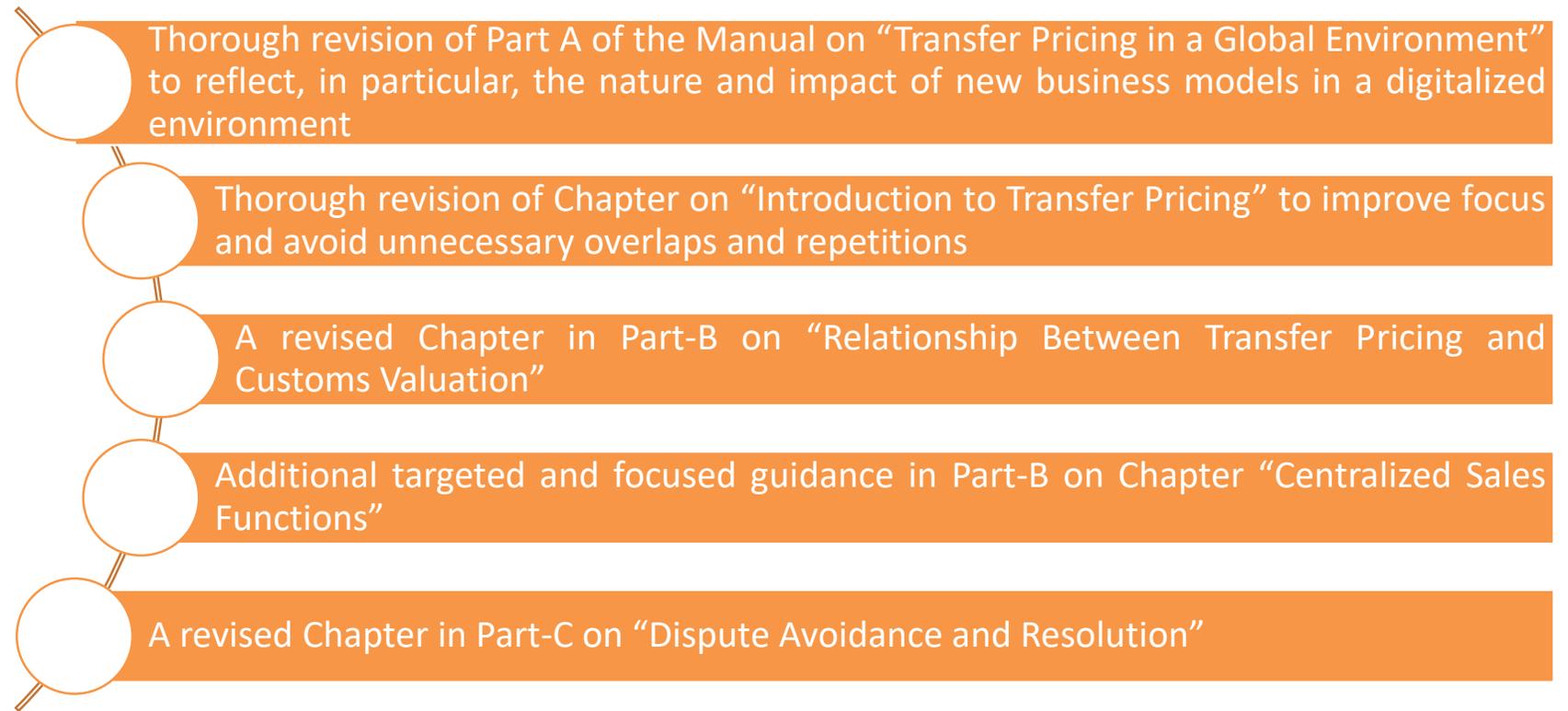
A revised Chapter merging and updating former Chapters on the General Legal Environment and on Establishing and Updating Transfer Pricing Regimes

During the period between the end of this Session and commencement of 20th Session, the Sub-Committee held meetings to further update the texts presented for first discussion in this Session

Matters Discussed in 20th Session

All the matters discussed in the 19th Session (given in previous slide) are put for second consideration and approval in the 20th Session

- 20th Session of the Committee took place during 22nd to 26th June 2020
- Texts which were presented to the Committee for **first discussion and guidance during the 20th session** are as follows:



The matters mentioned above, shall be discussed and approved in the 21st Session, which will be held in future (date not yet notified)

Structure of the Manual

Component of the Manual	Description	Objective
Part-A	TP in Global Environment	Provides background material on MNEs – structure of MNEs and their significance in cross-border transactions
Part-B	Design Principles and Policy Considerations	Provides detailed explanation about the process, methods and other technical aspects of TP
Part-C	Practical implementation of a TP regime	Provides practical aspects of TP such as documentation, audit, assessment, dispute resolution, etc.
Part-D	Country Practices	Addresses key challenges faced in TP analysis by certain developing countries including India

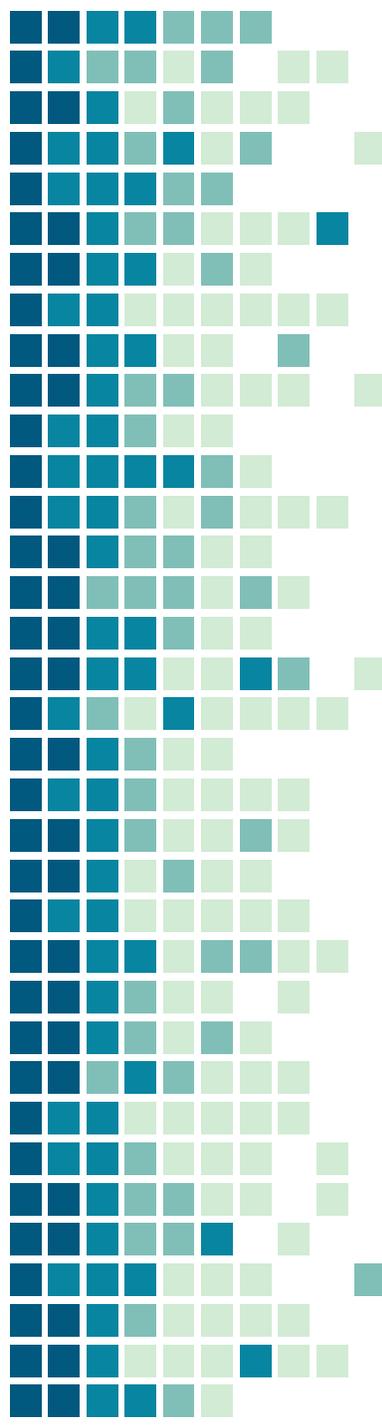
Status of the Revised Manual

Attachment in the Manual	First Reading Session	Approval Session
A. TP in Global Environment	20 th	21 st
B.1. Introduction	20 th	21 st
B.2. Comparability	19 th	20 th
B.3. TP and customs valuation	20 th	21 st
B.4. Profit Splits	18 th	19 th
B.5. Additional Guidance on Centralised Sales Functions	20 th	21 st
B.6. Group Synergies and Centralised Procurement	19 th	20 th
B.7. Financial Transactions (excluding guarantees and examples)	18 th	19 th
B.7. Financial Transactions (guarantees)	19 th	20 th
B.7. Financial Transactions (examples)	20 th	21 st

Contd.

Attachment in the Manual	First Reading Session	Approval Session
C. Merging and updating former Chapters on the General Legal Environment and on Establishing and Updating TP Regimes	19 th	20 th
C. Establishing Transfer Pricing Capability	18 th	19 th
C. Documentation	18 th	19 th
C. Risk Assessment	18 th	19 th
C. TP audits	18 th	19 th
C. Dispute Avoidance and Resolution	20 th	21 st
Revision of Part D has neither been discussed in any of the concluded sessions nor an agenda for discussion in 21 st Session		

Our subsequent sessions in this webinar series would cover each Attachment which got approved (i.e. till 20th Approval session), as mentioned in the Table above



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