



Transfer Pricing Simplification Measures – The Simple, Often Smarter Approach

Multinational firms have historically sought to establish transfer pricing policies that comply with the local transfer pricing rules and regulations while also helping to facilitate strategic objectives that drive profitability. In recent years, however, the situation has become more complex. In addition to addressing local country rules and regulations when designing a transfer pricing policy that maximizes profits, multinationals are also now taking note of the administrative costs associated with ongoing requirements to manage the policy. The reason for this is simple – there has been a significant increase in the resources required to manage transfer pricing policies, including the time of internal personnel and fees paid to external professional services firms, stemming from the Organization for Economic and Cooperation and Development’s (“OECD’s”) newly recommended approaches and principles regarding international tax policy and enforcement. These recommendations, which were developed as part of the OECD’s Base Erosion and Profit Shifting Project, are being implemented by nearly all tax authorities worldwide. Typical measures are being implemented due to increase regulatory scrutiny of controlled transactions, the complexity of the related tax laws and documentation and heightened reporting requirements.

In the face of this changing landscape, the prudent taxpayer should bear in mind that many OECD member countries have legislated transfer pricing simplification measures that taxpayers can utilize to greatly reduce or eliminate administrative burdens on multinationals by simplifying or exempting documentation requirements, providing safe harbor methods, reducing or exempting penalties and even a complete exemption from normal transfer pricing rules. In fact, approximately 75 percent of OECD member countries have instituted transfer pricing simplification measures. These simplification measures largely are directed to small and medium-sized enterprises, transactions of relatively low volume and low-value-added services. Moreover, no OECD member country has reported a case of double taxation caused by the application of their own or another country’s simplification measure.

While navigating the transfer pricing regulatory environment can be complex, the Transfer Pricing team at Bennett Thrasher has the in-house expertise and resources to assist with transfer pricing issues of all sizes. If you have any questions about whether you can benefit from transfer pricing simplification measures, please contact Ben Miller by calling 770.396.2200.