

# WTS Alliance Transfer Pricing Survey 01.2010

Country	Are the tax authorities in your country increasing their efforts (e.g. number of staff, new legislation, number of TP-audits increased) to scrutinise transfer pricing transactions as a result of the current downturn in the economy? Is there any official statistics available?	Is there any specific issue the tax authorities focus on currently in the tax audits related to transfer pricing (e.g. business restructurings – transfer of functions, intangibles valuation, management fees, interest on internal loans etc)?	Does the tax authority specifically target certain industries, size of business, ownership structures or loss making companies?	Recent transfer pricing court cases of significance?	Documentation requirements	Language	APAs
Argentina	There are <b>no official statistics</b> on the subject matter, nor increased efforts from the National Tax Bureau (hereinafter, "AFIP") as a result of the current downturn in the economy, in the tax audits specifically aimed on transfer pricing (hereinafter, "TP"). Nevertheless, before the global economic crisis started, the <b>AFIP created a special commission in order to audit the correct compliance of TP regulations</b> . This commission is integrated by a specialized staff on TP, but because of its lack of employees, the scope of companies being audited is reduced; thus its focuses its work on the category "big size taxpayers" (this allocation takes place on the basis of pre-established parameters of selection such as a significant volume of income, among others). In addition, current audit programs are focused on business transactions with tax heavens. Due to foreign exchange regulations, the Central Bank notifies the AFIP this type of international dealings; and eventually, the AFIP may require the justification (i.e. supporting documentation) of inflows and outflows of currencies.	The AFIP at the moment mainly concentrates on: (i) the comparable transactions -between independent parties- selected by companies in their annual TP reports (i.e. characteristics of the transactions, analyzed period, market segmentation, and fine-tuning models among others); (ii) <b>interest on loans</b> between related parties provided the fact that Argentine rates have augmented considerably in comparison with other countries; (iii) <b>exports of commodities</b> with values that differ from international prices (in transparent markets); and (iv) <b>services (including management fees)</b> provided by related parties. The AFIP requires a full explanation of the industrial processes, market segmentation and fine-tuning models elected in the annual TP report; plus supporting documentation and work-papers.	As aforementioned, because of the lack of employees, the AFIP focuses audits on " <b>big size taxpayers</b> ". As a consequence, various large companies, due to their non-compliance of IT mandatory regulations, must file TP annual tax returns plus the IP report for the fiscal years 2006, 2007 and 2008. (Note that it is rare that the AFIP scrutinizes TP transactions of small or medium size companies.) Moreover, the AFIP specifically target the grain, motoring and chemical industries.	No	Yes	Spanish	No
Australia	Transfer pricing has been a <b>particular area of focus for the Australian Taxation Office (ATO) for many years</b> . While numbers of staff are unavailable, the ATO has increased funding available to deal with international dealings and transfer pricing in particular.	There has been an increased focus on intra group cross border dealings as a result of the Global Financial Crisis with the ATO expressing concern that MNCs may be more tempted to misprice transactions to gain an advantage. There has been a broad range of activities that the ATO have been or propose to focus on, but management services, intellectual property and financial transactions have been of particular note. The ATO has been working with the financial services industry and the profession in relation to cross border financing transactions, guarantee fees and the interaction of the transfer pricing rules with the thin capitalization safe harbours. The ATO has also been focused on Advanced Pricing Agreements and completed 29 in 2008-09; further, as at 30 June 2009, the ATO had 39 APA applications on hand and an additional 15 in pre-lodgement stage.	No	Roche Products <a href="http://www.austlii.edu.au/au/cases/cth/AATA/2008/639.html">http://www.austlii.edu.au/au/cases/cth/AATA/2008/639.html</a> in July 2008 is the most recent case on transfer pricing.	Yes, in practice (informal requirement)	English	Yes
Austria	There are no official statistics available, but in the last few years we recognized a tendency, that tax audits focus more on transfer pricing. By now Austria had no own Transfer pricing rules and the TP-rules of the OECD are applicable. The tax authorities released recently a draft version of transfer pricing guidelines, which are based on the OECD guidelines. The Austrian Ministry of Finance is also negotiating a bilateral "Advance Pricing Agreement" with other countries.	The Austrian tax authorities are currently concentrating on the documentation of transfer pricing.	No	One case related to management fees and the requirements of the documentation to be tax deductible.	Yes, in practice (informal requirement)	German or English	Yes, bilateral APAs, no formalized procedures.
Belgium	There is an increased attention of the tax authorities for transfer pricing matters. This is not recent however. The increased attention is two-sided however. On the one hand, we see more and more transfer pricing audits performed by the tax authorities. On the other hand however, there is a growing (pro-active) ruling practice, and experience demonstrates that a substantial number of ruling requests relate to transfer pricing.	Transfer pricing audits seem to focus more on the general transfer pricing policy as applied by multinational companies rather than on specific issues (like management fees, loans etc). As far as business restructuring is concerned, it is worthwhile noting that the ruling commission has granted rulings on business restructuring, insofar these relate to transferring functions and risks into or out of Belgium. As far as the transfer out of Belgium is concerned, the rulings address the traditional exit issues. As far as the transfer into Belgium is concerned, the rulings tend to exempt from taxation – in Belgium – any profit derived by the Belgian company (where the functions and risks have been shifted to), that exceeds the arm' length profit, and that is related to the import into Belgium of the so-called industrialization intangibles (such as profits derived from economies of scale).	Yes. Fully fledged transfer pricing audits are normally only performed on large multinational companies.	No	Yes, in practice (informal requirement)	Dutch/French/English	Yes
Brazil	There is no official statistic available.	They evolved their inspection based on relevant transactions such as operations performed with tax haven, information described on Income Tax Return ("DIPJ") and tax losses.	There is no official statistic available.	Yes the corresponding case is related to transactions performed in tax haven jurisdictions.	Yes, in practice (informal requirement)	Portuguese	No, but advance rulings.
Canada (STIKEMAN ELLIOTT LLP)	While there are <b>no statistics available</b> regarding the increased efforts by the Canadian tax authorities on the transfer pricing front, the Canada Revenue Agency has made transfer pricing one of its top priorities for the coming years and this increased focus has been felt at the audit level.	All transfer pricing issues are being looked at, but recent court cases have mainly involved <b>royalty payments and guarantee fees</b> .	No	The GlaxoSmithKline case involving royalty payments and the upcoming decisions in GE Capital and HSBC Canada involving guarantee fees. The GlaxoSmithKline case was lost by the taxpayer but an appeal has been filed. A decision has yet to be rendered in GE Capital and HSBC Canada.	Yes, in practice (informal requirement)	English	Yes

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<b>Canada (FASKEN MARTINEAU DUMOULIN LLP)</b>	The Canada Revenue Agency (CRA) has increased its efforts by hiring new economists and field auditors in the last four or five years. No special hiring or legislative initiatives as a result of the current downturn in the economy.	The CRA is looking at many issues. One that seems to attract a lot of interest of late is structures where guarantee fees are paid by a Canadian corporation for the benefit of another corporation of the MNE, without consideration. While not necessarily a trend, in a few cases the CRA has been looking at location rent (i.e. putting a value on the various economic factors that renders a location attractive, such as income tax credits, qualified labour, ...)  While Canadian Authorities are participating actively in the business restructuring debate, no official information of any specific audits on that subject.  Use of secret comparables remains a concern. While the CRA publicly states that <b>secret comparables</b> should not be used, field auditors frequently use them.	The <b>pharmaceutical industry</b> has been and continues to be a target of choice.	The Tax Court of Canada (TCC) issued the GlaxoSmithKline decision earlier in 2009, where the CRA was successful. This case is under appeal at the Federal Court of Appeal. Both parties filed their factums and are waiting for a hearing date.  The next case on the agenda of TCC should be GE Capital that deals with the aforementioned guarantee fees.	Yes, in practice (informal requirement)	English	Yes
<b>Chile</b>	No official statistics that demonstrate that the tax authorities have increased their effort in order to scrutinize transfer pricing transactions. However, more concern from the tax authority in relation to transfer pricing regarding international transactions between related parties can be noted. Thus, it is expected that tax audits aimed at transfer pricing will increase in the future. Please note that in 2007 the tax authority requested from a large number of multinational companies a full disclosure and detail of the transactions made by related parties abroad.	Transfer pricing issues involve a wide range of transactions between related parties. However, more concern regarding those transactions related to <b>intangibles and non-tangibles assets, business restructurings and management fees</b> can be noted.	From our experience, <b>bigger and mid size companies</b> are supervised with more concern by the tax authorities.	No	Yes, but for information purposes only	Spanish	No
<b>China</b>	Yes, the Chinese Tax Authority is strengthening their controls on intercompany transactions in the economic downturn, but there's no official statistics available.	The current focuses of the Chinese Tax Authorities are <b>management fees, intercompany service charges, royalty fees and intercompany loans</b> (interest and thin capitalization).	According to TP regulations in China, TP investigations would focus on enterprises with the following characteristics: Significant amounts or numerous types of related party transactions, long-term losses, low profitability, or fluctuating pattern of profit/losses, profitability lower than those in the same industry, or with profitability that does not match their function/risks (especially for enterprises with routine functions), transactions with related parties in tax havens, absence or incomplete transfer pricing documentation.	No	Yes	Chinese	Yes
<b>Colombia</b>	The Colombian Tax Administration has seen revenues diminish dramatically as a result of the crisis and as consequence of the implementation of various investment tax incentives. The tax inspectors staff has been increased and the total number of tax audit has multiplied. There are no official statistics regarding TP tax audits that we can rely on.	Transfer pricing regulations became enforceable fairly recently in Colombia, as of 2005. Thus, the efforts by the tax auditors have been focused in ensuring that TP reports and returns are filed by the parties required to do so.	Fiscal programs specifically target certain industries, loss making companies, taxpayers with tax credits etc. However, the fiscal programs are not public.	No	Yes	Spanish	Only unilateral.
<b>Croatia</b>	There are no official statistics on the subject matter, however increased efforts from the tax authorities in the tax audits specifically aimed at TP can be noticed. TP audits are generally performed by tax authority officials that are performing corporate profit tax audits (i.e. a special TP audit team has not been formed). In addition, as TP provisions in Croatian tax legislation is relatively new, Croatian tax authorities are increasingly attending seminars offered by tax authorities of countries with more developed TP practices.	Croatian tax authorities at the moment mainly concentrate on <b>head office overhead allocations, excessive interest on loans</b> between related parties and various services (including management fees) provided by related parties.	No specific industries are targeted. The tax audits are in majority of cases triggered by company's request for unusually high VAT refunds.	A few related to the head office overhead allocation keys and management fees.	Yes, in practice (informal requirement)	Croatian	No
<b>Cyprus</b>	Based on the latest tax regime in Cyprus (introduced in 2003) limited transfer pricing rules were introduced. The most basic one is the arm's length principle which is expected to be examined in transactions between associated parties.	No	No	No. Although there are some minor cases where question had been raised by the authorities, without any major impact.	No	n/a	No
<b>Czech Republic</b>	The Czech tax authorities do not carry out specific TP audits. TP is a subject to regular tax audits and the interest of tax authorities in TP issues has increased significantly during the past years. The financial crisis does not seem to affect the approach of the tax authorities and there is no official statistics available.	The tax authorities focus on all above mentioned issues. If one particular issue was to be pointed out, it would be services provided between related parties.	In general, the tax authorities tend to target <b>bigger businesses and long-term loss making companies</b> because of a higher possibility of important findings.	No	Yes, in practice (informal requirement)	Czech/Slovak, sometimes English	Yes
<b>Estonia</b>	The tax authorities have established a section in their tax review department to deal with transfer pricing issues and there have been extensive training. So far there is little evidence of increased audits, but this is likely to happen in the near future.	No	No	No	Yes	Estonian/English	No
<b>Finland</b>	In Finland, there is no separate division/team in the Tax Administration that specifically look at Transfer Pricing. However, one of the tasks of Tax Clerks is to review whether companies fulfill their Transfer Pricing requirements. Transfer Pricing may also be a subject of tax audit. Finland has adopted Transfer Pricing regulations in 2007 and Tax Administration has issued guidance in this respect. Under some limits, companies must prepare and update their TP documentation on yearly basis.	Arm's length price regarding to the interest and royalty are key areas that Tax Administration pay attention to during their review of the corporate income tax submission of the taxpayer. Further Tax Administration pays attention to allocation of expenses between related companies. However, Tax Administration doesn't limit themselves to a particular issue.	No	There is a current ruling of the Supreme Administrative Court, where company sold subsidiary shares below current price to another company which was considered to be a related party. Under certain qualifications, no adjustment to pricing was adopted.	Yes	English, Swedish or Finnish	Yes, in practice, but no formal requirements.
<b>Finland (WTS Aktiengesellschaft)</b>	Yes, the efforts are being increased, but not due to the economic downturn, but rather as the subject is gaining in importance in general. No statistics available.	Currently, the tax authorities are still in a "training phase" themselves, focusing rather own straight-forward issues such as intercompany loans. Transfer Pricing is only starting to become an issue in Finland. More complex issues will probably only be scrutinized more closely in upcoming years.	Currently, the tax authorities are focusing on big international groups of companies which are being handled in the tax office for company groups (konserniverokeskus/koncernskattecentralen). This is the tax office where the tax authorities' TP specialists are located.	As the subject as a whole is still quite new, there are no major court cases to be reported to far. Documentation is the most important issue at the moment.	Yes	English, Swedish or Finnish	Yes, in practice, but no formal requirements.

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France	France is likely to introduce a contemporary documentation obligation effective as of January 1st, 2010 for all entities meeting one out of 3 criteria (number of employees > 250, or yearly sales before VAT and total of BS respectively > 50.000.000 € and 43.000.000 €, or 25% equity and voting right held by a company meeting one of the first two criteria mentioned above) or managed by the large company directorate. Contemporary documentation has so far not been a requirement. Specific consultation with the business community are currently in progress. French tax authorities audit about 48 000 companies each year (Figures 2008 – Numbers very steady over the past 5 years) generating tax assessment of about €12.4 Billion. Transfer pricing are routinely part of the audit. No public statistics concerning transfer pricing is available.	Rep. office resulting of a transfer of functions, and management fees.	According to experience (not a statistic), mid size and large foreign owned subsidiaries, pharmaceutical and software industry and loss making companies. Location, value, transfer and license of intangible/industrial property is routinely audited whatever the activity.	CAA Paris 25 juin 2008 n° 06-2841, Ze ch., Sté Novartis Groupe France SA – Confirmation that a transfer pricing adjustment must be based on a CUP external comparable. If not, tax authorities must demonstrate that the gap between the selling price and the market value is not justified – For the case at hand French tax authorities did not prove that the margin must be proportional to the production costs – Confirmation that the tax authorities bear the obligation to prove the transfer and to answer the critics made by the taxpayer with	Yes, in practice (informal requirement)	French, but in practice often possibly in English	Yes
Germany	Nowadays, every tax audit includes a routinely review of the company's transfer pricing transactions. The transfer pricing legislation has recently been completed with the introduction of new regulations regarding the relocation of business functions, effective since January 1st, 2008. Additionally, the number of staff responsible for TP audits and the training for auditors in the field of TP has been highly intensified. However no new regulation has been introduced as a result of the current economic crisis and none are expected so far. Actually, many companies in various industries in Germany are still incurring high losses due to economic reasons and accordingly tax audits are not as aggressive at the moment. However, it can be expected that this climate will change after the crisis has passed and the companies are turning to be profitable again whereas the state has to burden high payment obligations. Of course it can also be expected that transfer pricing will be the focus of the German auditors and due to latest changes in the law (i.e. transfer of functions, documentation etc.), TP auditors in Germany are now very well armed to legally enforce their requests.	The German tax authorities are currently focusing on business restructurings. The Regulation on the relocation of business functions (BGBl. I 2008, S. 1680) is effective since January 1st, 2008 but should also be applied for prior years in analogy. It contains provisions regarding the transfer of functions from Germany to other countries, with a focus on the valuation of a transfer package (assets + related opportunities and risks). Of course intangible valuation, licensee fees and management fees are also subject to excessive auditing.	The German tax authority specifically targets large companies (e.g. for distribution companies turnover amounting to more than 6 500 000€ or taxable profit amounting to more than 250 000€). Indeed, during 2007, 22,8% of the large companies were audited while only 2,6 of all German companies were audited and large companies only have a 20% chance that a specific fiscal year won't be audited. On average large companies are audited every 4.39 years while smaller companies are only audited every 13 years and every 89 years for the smallest of them. Based on experience, loss making companies and companies with business relationships to so called "tax heaven countries" are also more likely to be excessively audited. No specific industry is in the focus of the German authorities.	There are no recent transfer pricing court cases of significance interest at the moment. In Germany most disputes on TP were solved through an audit agreement or through a MAP if no agreement could be reached during the audit. Court procedures in Germany might be very time consuming (up to 7 years) and the result of the court decision is completely open, accordingly, German taxpayers prefer the arbitration procedures especially on a European level which should be handled faster and were an agreement to solve the double taxation is guaranteed by the European Arbitration Convention.	Yes	German, possibly in foreign language (English)	Yes, bilateral and multilateral.
Ghana	No, there has not been any deliberate attempt at increasing staff and audits to scrutinise transfer pricing. Normal audits are ongoing and the audit team pick up issues during the course of their audit.	Yes, audit teams pay particular attention to issues such as management fees, since in Ghana this is subject to a final withholding tax of 15% in the case of non-residents. They also pay attention to interest on internal loans since the source can trigger the application of thin capitalisation rules of a debt: equity ratio of 2:1 in the case of loans from related parties such as associates, subsidiaries, branch companies, etc. They also examine business restructurings because it can also trigger off application of anti-avoidance provisions like change in control and dividend/profit stripping arrangements.	Yes, they usually target large taxpayers since the effect of their non-compliance has a significant impact on revenue generation. Companies in the free zones enclave are also a target as they have sweeping incentives that could lead to abuse. Companies with less than five (5) shareholders, virtually "director-owned companies", as I call them, are also a target as they usually fail to declare dividends to avoid paying tax on dividends after paying corporate tax.	No, there are no such court cases in Ghana.	No	n/a	No
Hong Kong	Hong Kong does not have a separate TP regime. Issues relating to TP will be dealt with by section 20(2) of the Inland Revenue Ordinance. The section provides that in such a situation the business done by the non-resident person in pursuance of his connection with the taxpayer shall be deemed to be carried on in Hong Kong, and that the profits of the non-resident person shall be assessed in the name of the taxpayer as if the taxpayer were the agent of the non-resident person. Apart from section 20(2), the Department may also apply the general anti-avoidance provisions (sections 61, 61A) or other provisions of the Ordinance relevant to the circumstances of the case to ensure that tax is not avoided.	N/A	No	The most recent case on this issue was Ngai Lik Electronics Co. Ltd v. Commissioner of Inland Revenue. One 15 July 2009 the Hong Kong Court of Final Appeal issued a unanimous decision, partially allowing an appeal by Ngai Lik Electronics Co. Ltd (the "Taxpayer"), against tax assessments issued by the Commissioner of Inland Revenue based on the general anti-avoidance rule in Hong Kong.	No	English or Cantonese	Yes, advance rulings.
Hungary	Regardless of the economic downturn, the Hungarian tax authority (HTA) is constantly increasing its focus on transfer pricing. A separate transfer pricing task group which was set up some years ago within the ranks of the HTA is increasing its inspections. The members of this team have been (and are) especially trained to deal with transfer pricing issues. Furthermore, the HTA is also using the Amadeus database.	We are not aware of any specific area within transfer pricing that the HTA focuses special attention on. During a tax audit, all intra-group transactions undertaken by a company are put under scrutiny. Contrary to the practice of earlier years, whereby the transfer pricing documentations were more or less rather inspected in a manner of "form over substance", the HTA's effectiveness in the area of transfer pricing is rapidly increasing. During a comprehensive tax audit, the pertaining documentations are usually automatically requested for inspection. Upon questions, the transfer pricing issues and the relating documentation is forwarded to the above mentioned separate task group.	The HTA issues a so-called "Inspection Directive" each year to forecast their audit activities. In the directive of 2009, special attention was (is) focused on companies active in the field of vehicle renting, advertising, education, hiring-out of labour, electronic services, delivery services and investment services. The directive also specifies that more than 10% of the audits have to be carried out at top 3,000 companies with the highest taxation-levels. Unless these audits are specifically targeted at some other field of taxation, then the transfer pricing issues are almost certainly included.	No	Yes	Hungarian	Yes
India	There has been an increase of staff strength at the level of the of TP auditors as well in the number of Supervisory officers. New TP law has also been legislated upon, restricting the scope for adjustment (Arithmetic Mean). A Draft Direct Tax Code has been circulated for public discussion before it is enacted. This too has redefined the 'associate enterprises' to provide a lower threshold of control. In addition, an Advance Pricing Authority and Safe Harbour Rules has been legislated upon. The increased efforts however does not appear to be on account of the downturn in the economy.	No, but all transactions with adjustments are being scrutinized in detail.	Loss making industries are examined more closely.	No	Yes	English	No

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Indonesia	There are no official statistics on the subject matter. However, the tax audits on the subject of transfer pricing issues have been executed since several years ago. Hence, the tax audits on transfer pricing issues are not only as the result of the current downturn of the economy. The transfer pricing audit generally performed on transactions between related parties (the arms' length profits of the related parties), on service provided by non resident taxpayers (withholding tax on service income derived by non resident taxpayers), and on cost recoveries in oil and gas businesses. The anti TP provisions were introduced in the Income Tax Law in 2000. The tax authorities have issued a special guidance for tax auditors on how to scrutinize the transfer pricings.	No	Yes, currently the specific target is agro business industries, mining, and companies making transactions with companies in tax heaven countries.	Yes, there has been some transfer pricing cases in the tax court.	Yes, in practice and recommended when audit (informal requirement)	Indonesian. English allowed only with approval and not for objections/appeals	No
Iran	There is a low awareness amongst the Iranian Taxation Authorities on the implications of Transfer Pricing Regulations and Guidelines. However, the level of concern is expected to be upgraded and more directions to be given on the subject. The Tax Authorities do conduct annual audit of the taxpayers and in so doing do touch the subject of related parties and the transfer pricing arrangement. But this is all very new phenomena and it is at its infancy.	Yes, but audits are performed with little diligence and issues are touched merely on the surface.	No. Their main efforts on the subject is on management charges.	No	No		
Ireland	Not applicable. Given our low corporate tax rate of 12.5%, Ireland has no specific transfer pricing legislation so there is no requirement to allocate expenses or income across jurisdictions in accordance with predetermined formulae, regardless of commerciality.	Ireland introduced legislation approximately two years which serves to deny a corporate tax deduction for inter-group financing.	No	No	Yes, in practice (informal requirement)	English	No formal APA procedure, but possible to agree on guidelines with authority in practice.
Israel	The Legislation with respect of Transfer Pricing is relatively new and regulations were published at the end of 2006. No specific efforts due to the current downturn of the economy are publicly known.	Related parties transactions are key areas that the tax authorities pay attention to during their review of the corporate income tax submission of the taxpayer. There is no limitation to specific issues.	No	No	Yes	Hebrew or English	Yes, unilateral
Italy	While there is no official statistics, the increasing effort of tax authorities in this area can be perceived rather clearly, especially with respect to large companies (please also see below). On one side, the Revenue Agency has been reorganised to establish a new "International Division" within the "Central Inspection Division", to specifically address cases involving the risk of international tax base erosion. On the other side, there is a growing number of assessments which address exclusively the transfer pricing policy of the selected taxpayer (while in the past, controls on transfer pricing were embedded in the wider scope of so-called "general inspections").	There is no specific legislation or guidance on this point. As a matter of fact, while in past years transfer pricing assessments were more frequent in the field of intra-group services and interest, there is now a wider variety of cases also involving sale of goods. The application of transfer pricing rules to situations involving business restructuring/transfer of functions is still rather unexplored.	In 2008 a new strategy has been officially adopted (Law Decree 185/2008) with respect to so called "large taxpayers" (i.e., companies having a turnover of more than 300 million euro). Official guidelines provide that the selection of companies to be inspected (please note that presently not all companies are systematically inspected) should give priority to those who have significant relationships with foreign Countries and especially those which:  - are involved in the transfer of goods and services within multinational groups;  - conduct business relationships with entities resident in tax havens or low tax Countries  - are owned by or own foreign companies, especially if there is a risk that the foreign residence is fictitious or the foreign related company is subject to CFC rules;  - have paid or received interest or royalties falling within the scope of application of Directive 2003/49/CE;  - have entered into agreements involving hybrid financial instruments.	Transfer pricing controversies are usually settled by way of a pre-judicial agreement between the taxpayer and the Tax Authorities, and so there is a very limited number of Court decisions on the matter. Notwithstanding this, there are a few decisions every year. In 2009 two significant decisions have been delivered by the Supreme Court (Corte di Cassazione) concerning the deduction of headquarter expenses and cost of intra-group services, which have been reported in the latest issue (No. 3/2009) of WTS International Tax News (please see the excerpt, attached for ease of reference).	Yes, in practice and recommended when audit (informal requirement)	Italian, possibly in English	Yes, unilateral
Japan	Number of TP audits have increased gradually during the last 15 years, but not in particular because of the recent economic crisis.	The tax authorities recently focus on management fees and pricing on internal services performed.	The tax authorities use <b>secret comparables</b> for TP audits which they obtain from tax returns and other audits. The taxpayer has no access to this information. These secret comparables are often the trigger for a TP audit.	A decision by the Tokyo High Court given last year (2008) is significant, because it is the first time a taxpayer has been successful in a court case concerning Japanese transfer pricing legislation.	Yes, in practice. Recommended and expected by tax authorities	Japanese	Yes

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<b>Korea, Republic of</b>	<p>Over the past year or so, the Korean tax authorities have temporarily suspended most tax audits of companies in response to the economic downturn and hardship faced by companies doing business in Korea. However, with signs of economic recovery evident in recent months, the Korean tax authorities have once again resumed their normal audit cycle of domestic and foreign companies.</p> <p>In December of last year, the Korean Ministry of Strategy and Finance implemented the contemporaneous transfer pricing documentation rules, under which a complainant taxpayer enjoys a waiver of underreporting penalty in case where income adjustment is made during a tax audit. The Korean tax authorities have also continued to encourage APAs as a means to managing transfer pricing issues, especially given the uncertainty facing companies during the current economic downturn.</p>	<p>Korean tax authorities as a matter of practice review all aspects of transfer pricing arrangement between the local entity and overseas affiliates. There is no one particular area of focus, but most common issues raised by the tax authorities related to payment of royalty for use of intangibles, intercompany services, and intercompany price on purchase of tangible goods.</p>	<p>Korean tax authorities have in the past carried out tax audits of companies targeting certain industry (for instance, luxury goods marketers, pharmaceutical, etc.) in order to share information and to leverage insight or knowledge gained from one audit to another on a real time basis. Companies (or an industry as whole) that have reoccurring losses are especially vulnerable to a tax audit.</p>	<p>There are a few court cases dealing with transfer pricing issues, as most taxpayers have historically preferred MAP over domestic appeal to avoid potential double taxation. Some of the decisions handed down in recent court cases have focused its attention on the importance of fulfilling the comparability requirement between the tested and comparable transactions to ensure proper evaluation of the arm's length price. In one court case ruled in favour of taxpayer, the judge held that tax authorities cannot make adjustments to otherwise seemingly incomparable transactions to that of the tested transaction without providing sufficient evidence that such adjustments are reasonable and further that differences can be eliminated legitimately through such adjustments.</p>	Yes	Korean. English requires approval.	Yes
<b>Latvia</b>	<p>We are not aware of increase in effort as a result of the current downturn in the economy, although our best guess is that there are more TP audits than a couple of years ago. We are not aware of any official statistics. There was a draft of government regulations on implementing more detailed TP rules in Latvia (now they are rather simple), but as a result of other priorities by the government these have not been passed yet. However, our prediction is that the number of TP audits will increase soon. Please refer to the enclosed ITR article where a representative of the MoF is asking what TP is (article of 16.03.2009): <a href="http://www.sorainen.com/index.php?id=16469">http://www.sorainen.com/index.php?id=16469</a></p>	<p>We are not aware of specific transfer pricing audits occurring and information regarding targeted issues is not released by our taxation authority, although there certainly are targeted TP audits by the tax authorities.</p>	<p>This information is not released by our taxation authority.</p>	<p>No TP court case have been heard at its final stage at the Supreme Court Senate recently in Latvia.</p> <p>For further information on TP legal framework in the Baltic States (WTS TP Guide) please refer to our web page: <a href="http://www.sorainen.com/index.php?id=12524">http://www.sorainen.com/index.php?id=12524</a></p>	Yes, in practice (informal requirement)	Latvian	No
<b>Lithuania</b>	<p>We have to admit that the tax authorities have increased their efforts in analyzing a transfer pricing issues, however, as far as we know, tax authorities had not increased the number of the staff engaged in transfer pricing matters (and are not planning to do so). Normally Lithuanian tax authorities do not perform separate transfer pricing audits and questions related to transfer pricing issues are covered within the scope of a general tax audit.</p>	<p>Management fees and internal loans are often investigated by the authorities.</p>	<p>No specific industry targets by the authorities are publicly known. Nevertheless, a subsidiary of a foreign (multinational) parent, with a big turnover reporting losses for several years may be scrutinised.</p>	No	Yes	Foreign language accepted but translated upon request	No
<b>Luxembourg</b>	<p>Based on our experience no increase in efforts by the Luxembourg tax authorities has been felt, however there are no statistics in this regard available.</p>	<p>No particular focus on transfer pricing issues within tax audits by the Luxembourg tax authorities are known. However, cost-plus arrangements, interest on intra-group loans, etc, have been a main point of discussions with the Luxembourg tax authorities, within the framework of advance tax confirmations (no specific APA legislation exists currently in Luxembourg).</p>	No	No	Yes, in practice (informal requirement)	German or French translations	Yes, advance rulings
<b>Malta</b>	No	<p>There are no specific issues that the tax authorities focus on. As there are no specific transfer pricing rules under Maltese law, there are no tax audits that are prompted directly by transfer pricing considerations. Transfer pricing is an issue (a) when a company requests a binding advance revenue ruling on the tax treatment of its or its related companies' operations or planned operations in Malta, or (b) during a normal investigation into a company's tax returns, where the company's transfer pricing policies might be tested under the general anti-tax avoidance rules.</p>	No	No	No	n/a	No
<b>Morocco</b>	<p>Yes, there's more effort to chase transfer pricing transactions.</p>	<p>Management fees, technical support contract, commercial transactions</p>	<p>Loss making companies should be a ground of tax control</p>	No			
<b>Netherlands</b>	<p>Increased activities of the Dutch tax authorities are not noticed as a result of the downturn in the economy. In the Netherlands, the tax authorities have a coordination group regarding transfer pricing as well as an APA-team for a long time now, focusing on transfer pricing issues and facilitating rulings/APAs with the tax payers.</p> <p>Due to the new policy of "horizontal supervision" that has been introduced by the Dutch tax authorities, where tax payers discuss tax issues with the tax authorities at the moment they occur and not afterwards during a tax audit, a more relaxed and cooperative attitude of the Dutch tax authorities have been noticed.</p> <p>Furthermore, the Dutch government took a few measures to facilitate the companies with more cash flow such as providing the possibility to already carry back losses of the current book year to profits in the previous years.</p>	<p>No specific issues are recorded. The Dutch tax authorities normally tend to focus on management service fees, substance, the profit level and restructurings. However, when an APA/ruling is in place, normally the tax authorities only check if the APA/ruling has been implemented correctly.</p>	<p>No specific targets are known, although the Dutch tax authorities tend to focus on "low hanging fruit", i.e. easy targets where no transfer pricing policy/documentation is in place.</p>	<p>There were no recent transfer pricing court cases of significant interest. Most disputes are solved during discussions with the tax inspector in cooperation with the coordination group on transfer pricing or by starting a unilateral APA procedure where the APA also covers the past.</p>	Yes	Dutch, but in practice English is accepted	Yes

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New Zealand	No. The New Zealand Inland Revenue Department ("IRD") does not provide official statistics on the number of staff employed in their transfer pricing team, or of the number of transfer pricing audits that are undertaken. New Zealand has not made any changes to the legislation or guidelines governing transfer pricing as a result of the current economic downturn.	In February 2009 the IRD stated that in 2009 its transfer pricing investigations would have a special emphasis on issues arising from the economic events of the last 18 months, in particular: (1) any arrangements made to import offshore losses through non-market pricing; (2) potential gaming of interest rates, taking undue advantage of gyrations experienced in credit spreads, and (3) adventurous pricing of hybrid financial instruments (such as mandatory convertible notes). IRD stated that any entity experiencing a major downward shift in profitability should maintain sufficient documentation and supporting evidence to explain the entity's tax position to IRD. IRD also noted that it is aware of pressures building on company balance sheets as a result of losses and asset write-downs, and stated that it would focus on New Zealand's thin capitalisation rules as a result.	In addition to the specific areas of focus identified above, IRD also stated that it would monitor foreign enterprises operating limited risk structure in New Zealand, such as limited risk distributors / commissionaires and contract/toll manufacturers. In general, New Zealand transfer pricing audits focus on the automotive, banking and capital markets, insurance, oil and gas, pharmaceuticals, technology and telecommunications industries.	There have not been any court cases relating specifically to transfer pricing in New Zealand.	Yes, in practice (informal requirement)	English	Yes
Nigeria	Transfer Pricing has not attained any place of importance with the Nigerian FIRS. This may be because there is no specific provision under Nigerian laws covering transfer pricing. However, there are omnibus provisions on Artificial Transactions in all the tax laws under which the FIRS scrutinize related party transactions. Most of the time this issue comes up under normal audit process.	Once management fees are within the threshold approved by another agency of government with such functions, FIRS would not query such amounts. The level of interest chargeable for related party loans is only regulated for oil and gas exploration and production companies-pegged at LIBOR. Interest rates charged by non-oil and gas companies are not regulated so long as it is not higher than what unrelated parties would charge. Nigeria has no thin capitalization rules. Business restructurings are scrutinized for purposes of Capital Gains Taxes.	The Oil and Gas Industry is the most scrutinized in Nigeria because that industry contributes the highest tax revenue. The next set of tax payers that come under scrutiny are large multinational manufacturing companies. Outside this class, level of enforcement is very low.	No	No, but may have TP rules soon.		
Philippines	No special focus on TP audits. To illustrate: Revenue Memorandum Circular (RMC) no. 26-2008 dated March 26, 2008 was issued stating that the final draft of the Regulations on TP is being finalized, to date no such Regulations on TP has been finalized nor is being discussed. RMC no. 26-2008 adds that to preclude any issue that may arise in the interim, the tax authorities subscribe to the OECD TP Guidelines (1995)	No	No	No	Yes, in practice (informal requirement)	English	Not currently (a draft version includes rules on APAs)
Poland	The economic downturn increased the focus of the fiscal authorities on the transfer pricing. Also, introduction of the new regulations to the Accounting Act, effective since 1 January 2009, obliging the Management Board of the company to report non arm's length transactions put a pressure on the examinations of the transfer pricing practices.  The guidelines on the tax control for 2009, issued by the Ministry of Finance, instructed the tax police to examine transfer pricing, focusing specifically on the PE issue with respect to the branches of foreign companies in Poland. However, the TP audit is the element of the general tax audit. Thus, no specific statistics are available.	Management fees and intangible services are the most frequently pursued issues with respect to transfer pricing. The tax authorities, although accepting the OECD's standards with respect to the valuation of inter-company services (indirect charging method), demand tangible evidence that the services were actually provided. In practical terms, the tax authorities could challenge the tax deductibility of service charges if the taxpayer is not in the position to prove that such services were actually rendered and described in reports, meeting notes, training materials and other relevant material. Business restructurings is yet not a topic specifically addressed by local regulations.  The regulations on transfer pricing documentation were introduced to the Polish tax law on 1 January 2001. The documentation requirements pertain to transactions with related entities, both domestic and foreign, transactions with entities located in the tax haven and the branches of foreign companies. The taxpayer is obliged to deliver the documentation in 7 days period from the written request of the tax authorities. The principal sanction for failing to deliver documentation is 50% taxation applying in the case of the transfer pricing assessments. A new transfer pricing decree is expected to be effective as of 1 January 2010. The decree will specifically address corresponding adjustment procedures (mostly timeframe and formal route). Also, certain amendments are envisaged to regulations on application of transfer pricing methods to bring them more in line with the OECD.	The loss-making subsidiaries of multinationals are frequently targeted by the tax authorities.	Yes, a court verdict, tackling the issue of transfer pricing documentation, has recently been issued.  As the regulations on transfer pricing requirements are rather vague, it was not clear to what extent the taxpayer is responsible for proving the arm's length character of the intercompany prices.  The recent verdict states that transfer pricing documentation is required to help the tax authorities to understand all the circumstances of the transaction that may affect the pricing. However, the burden of proof whether prices deviate from the arm's length standard is on the tax authorities. Thus, the taxpayer is only obliged to present the facts in the documentation. There is no obligation on the taxpayer to prove arm's length character of the prices.  This verdict is confirming the position of the tax practitioners.	Yes	Polish	Yes

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Portugal	No increasing efforts related to the current economy's down turn had been felt, though there are no statistics available.	Though current Portuguese transfer pricing legislation was enacted back in January 1st, 2002 (more recently developed through the introduction of APA rules) practice shows that it is not possible yet to identify clear strategies defined by the tax authorities to particularly focus on identified areas. TP has been audit within general corporate income tax audits.	Please see prior answer.	No	Yes	Portuguese, in practice English is accepted but translated upon request	Yes
Romania	The Romanian tax authorities are more and more focused on transfer pricing issues. The taxpayers that carry out transactions with affiliated entities are required to prepare a transfer pricing file, if the fiscal authorities request it (during the tax inspections).  The tax authorities are using the Amadeus database.	The Fiscal Code provides that in the case of transactions between affiliated entities, the fiscal authorities can adjust the amount of revenues or expense of either entity, as necessary, in order to reflect the market price for the goods or services provided within the respective transaction. Currently, only the transactions between Romanian entities and affiliated non-resident entities may be adjusted by Romanian tax authorities. Basically all types of transactions between affiliated parties mentioned above are monitored.	No specific targeting until now.	We are not aware of any court cases in this field.	Yes	Romanian	Yes
Russia	The main effort currently being undertaken by Russian fiscal authorities is the updating of TP rules. It should be noted that current Russian TP rules can not be considered an effective instrument of fiscal control over TP transactions.  To that end in April 2009 the Ministry of Finance and the Ministry for Economic Development of the Russian Federation have agreed the concept of amendments to the Tax Code on TP. As the matter of fact, the concept introduces quite new TP rules. The Ministry of Finance drafted a bill on making appropriate amendments to the Tax Code and on October 1 submitted it to the Government for approval. After approval the bill should be passed by the Parliament. It is expected that new TP rules will take effect not earlier than from 2011.	Tax authorities mind substantial fluctuation of prices applied by the same taxpayers and prices of transactions between affiliated companies.	The most affected by TP rules is the wholesale trade.	No significant TP court cases are in progress.	Yes, in practice (informal requirement)	Russian, in practice English is accepted but translated upon request	No (but under discussion).
Serbia	No. Transfer pricing regulations in Serbia are hardly enforced by the Tax Administration. Namely, the very few articles of the Corporate Income Tax Law nor the by-laws do not provide for sufficient guidelines as to how tax payers should maintain their TP-position. Therefore, also Serbian tax authorities avoid at the current to assume serious TP-audits.	No	No	No	No, but taxpayers are obliged to disclose transfer pricing transactions in the tax balance.	n/a	No
Singapore	As far as we are aware, currently there's no separate department/division/team in the Inland Revenue ("IRAS") that specifically look at Transfer Pricing ("TP"). This is usually within the work scope of the IRAS' officer that looking at the corporate income tax submission of the taxpayer. TP is pretty much in its infant stage in Singapore. As part of its effort to assist the taxpayer, the IRAS has issued some guidelines on TP. However, there's no mandatory requirement for TP documentation nor have we heard of the IRAS conducting TP audits.	Related parties transactions are key areas that IRAS pay attention to during their review of the corporate income tax submission of the taxpayer. IRAS doesn't limit themselves to a particular issue as such.	Not that we are aware with reference to transfer pricing. But in its general effort to discourage tax fraud, IRAS do select certain industries (e.g. car dealers) and certain type of taxpayers for random field audits (e.g. family owned business).	No	Yes, in practice (informal requirement), especially for significant or complex transactions.	English	Yes
Slovenia	There are no official statistics on the subject matter, however in recent times we are witnessing an increased efforts from the tax authorities in the tax audits specifically aimed at TP. TP audits are generally performed by tax authority officials that are performing corporate profit tax audits (i.e. a special TP audit team has been formed in Slovenia by the tax authority office).	Slovenian tax authorities at the moment mainly concentrate on head office overhead allocations, excessive interest on loans between related parties and various services (including management fees) provided by related parties.	No specific industries are targeted.	No	Yes	Slovenian	No

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South Africa	Yes, the South African Revenue Services ("the SARS") have, since the beginning of the recession, increasingly refocused their efforts on transfer pricing, both from a planning and compliance perspective. Recent trends have indicated that the SARS is actively pursuing growth in its transfer pricing audit capacity and capabilities, having doubled the size of its transfer pricing audit team in 2009 alone, staffed with professionals from the private sector. From a legislative perspective, no major changes have been implemented. Transfer pricing documentation guidance remain embedded in Practice Note 7 ("PN7"), which was released in 1999, and is largely based on the OECD Transfer Pricing Guidelines for Multinational Enterprises ("the Guidelines"). To this, South Africa has gained "enhanced engagement country" status at the OECD, providing scope towards commentary on the various working paper discussions on transfer pricing held by the OECD.	Whilst the SARS focuses on all inter-company transactions, particular attention has during the current economic downturn been on <b>business restructurings and outbound management fee payments</b> . This is particularly prevalent due to the fact that the South African economy was "relatively" shielded from the economic downturn compared to more developed economies. As a result, offshore holding companies with a presence in South Africa, have attempted to increase outbound payments from their South African entities in order to mitigate their own exposures. As a means towards combating these efforts, particularly regarding the remittance of funds from South Africa by means of management services payments, the South African Reserve Bank ("the SARB"), due to the current existence of exchange controls, has started relying on the SARS in order to determine the legitimacy of various outbound management service fee applications from a transfer pricing perspective, prior to these being approved.	The SARS has structured its transfer pricing team according to industries, with certain individuals with the relevant experience appointed as specialists within a respective industry (e.g. Oil & Gas or Financial Services). The SARS transfer pricing team sits within a specialised division, namely, the Large Business Center ("LBC"). The LBC was specifically created in order to deal with the larger multinational enterprises operating in the South African economy. However, this does not necessarily preclude the SARS from targeting smaller multinational enterprises from a transfer pricing perspective. Moreover, <b>loss making companies and companies with a sudden drop in profitability</b> have in our experience, raised "red flags" within the SARS, which has led to higher scrutiny.	No. There are currently no known South African transfer pricing court cases, with most cases being settled out of court without being made public.	Yes, in practice (informal requirement)	English	No
Spain	An obligation to produce TP documentation was introduced with effect as of February 19th, 2009. The tax authorities have adapted the official form of the corporate and non-residents income tax return in order to obtain periodically information regarding intra-group transactions. No increased efforts due to the economic crisis are known.	Business restructurings, intangibles valuation, management fees, interest on internal loans are all the examples on issues analysed by the tax authorities.	Yes, the tax auditors follow an audit plan (not public). At the beginning of the year a norm is published in which the sectors are described that will be in the focus of the tax authorities, but not the specific plan. Each year the sectors that imply more risks in Spain are listed in the norm. For 2009 the sectors included in the mentioned norm are real estate or construction companies, interposed companies, holdings and professional companies.	Yes. Decision of the Central Economic and Administrative Tax Court dated May 17th, 2007 in which it is stated that intercompany interests are only deductible if the financing follows a business purpose.	Yes	Spanish or other local language, possibly in foreign languages but translated upon request	Yes
Sweden	The Swedish tax authority (SKV) are increasing their efforts in transfer pricing with the establishment of a group specialised in transfer pricing. This group has been focused on providing information to the taxpayers and qualified transfer pricing audits are expected to increase. Sweden has transfer pricing documentation requirements since January 1, 2007, and legislation for APAs is adopted as from 2010. The database AMADEUS is used by SKV.	The Swedish Tax Agency (SKV) targets 14 "risk areas" but is, to our knowledge, not focusing on any special area. However, business restructuring following acquisitions are often questioned especially if the restructuring results in reduced profit in Sweden.	Significant for SKV is to start with a wide approach when scrutinising all kind of areas and all kind of sizes of companies.	No, not from the supreme administrative court. However, there have been a number of court verdicts in other areas within international taxation, e.g. relating to internal loans and suspected tax evasion.	Yes	Swedish, Danish, Norwegian or English	Yes, bilateral and multilateral APAs.
Switzerland	No, but an increase in efforts is expected.	No, not that is publicly known.	In general, the federal Swiss tax authorities focus on the large size business. Also each canton has the right to audit tax payers and it is hard to provide an overview of all 26 cantons and their specific focus, if any.	No. Since many transfer pricing related issues are negotiated in advance (via ruling), court cases regarding TP are not of that relevance and not seen that often (in comparison to e.g. Germany).	No	n/a	Yes
Taiwan	There are no audit teams organized with an outspoken focus on TP within the tax authorities. However, during the course of an ordinary corporate tax audit, raising TP issues have become a standard procedure.	Intra-group guarantees.	Taiwanese loss making operations when the whole group is generating operating profits on a consolidated basis or drastic drops in or fluctuated profitability in the recent three years are specifically scrutinised.	No, not recently. In Taiwan, according to Article 43-1 of the Income Tax Act, promulgated in 1971, the tax authorities may adjust income of profit-seeking enterprises in accordance with the regular business practice. But only since December 2005, the TP Assessment Regulation has been introduced and in effect. So far there is no court case based on the TP Assessment Regulation. However, a Supreme Administrative Court's decision in 2007 states clearly that, according to Article 43-1 of the Income Tax Act, the pricing of shares transferred in 1996 was not at arm's length and agreed that an upward adjustment should be made to the taxable income derived by the Taiwanese company from transfer its shares in HK subsidiaries to a holding company registered in BVI.	Yes	Chinese, possibly in English (with approval)	Yes

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<b>Thailand</b>	<p>Transfer pricing is slowly getting more and more recognized in Thailand. However, the relevant laws are still rather rudimentary compared to Western standards. Of importance is a Departmental Instruction from the Revenue Department (Departmental Instruction Paw 113/2545) which regulates the arm's length principle, contains methods for determining a fair market price and provides an overview on the relevant documentation.</p> <p>We are not aware of any efforts to pass new legislation on this issue, however, informally the Revenue Department starts to focus on transfer pricing issues. Even though it is not mandatory, maintaining proper TP documentation helps avoiding long lasting discussions with the Revenue Department during an audit. Due to decreasing tax revenues, the amount of tax audits increased over the past year. Although we are not aware that the Revenue Department would systematically conduct TP audits, it is more and more regarded as one of the Revenue Department's cash cows and therefore has to be taken more seriously.</p>	No. The Revenue Department will generally investigate on all kinds of related party transactions.	There has been recently a tendency to audit in particular foreign owned businesses. However, this is a general tendency and not in particular related to transfer pricing.	No	Yes, in practice (informal requirement)	Thai, possibly in English but translated upon request	Yes
<b>Turkey</b>	<p>Answer is "No". i.e. current downturn in the economy did not cause tightened and/or scrutinised TP audits. However, since 2008, Turkish Tax Authority has started to appoint full time tax investigators (1 investigator for one big Company) to monitor tax activities of VIP Taxpayers ( i.e. fortune 500 companies). New corporate Tax Code of Turkey has become valid as of 1.1.2007 and OECD model TP requirements have become effective as of 1.1.2007. We truly believe that TP monitoring is the actual reason behind the tax investigator appointment decision of Turkish Tax Authority.</p>	Intangibles valuation, management fees, interest on internal loans.	<p>According to Turkish Corporate Tax Code;</p> <ul style="list-style-type: none"> <li>- Those Corporate taxpayers who are registered in VITP (Very Important Tax Payer) Office (Giant Taxpayers' Office) and, (Primary Target)</li> <li>- Those Corporate taxpayers who have international related party transactions (secondary Target)</li> </ul> <p>are obliged to prepare annual TP Documentations. Annual TP Documentation includes;</p> <ul style="list-style-type: none"> <li>- Annual TP Report that clarifies functions, risks, comparability analyses and TP method explanations together with very detailed financial data and,</li> <li>- Annual table of breakdown of the transactions which as attached to annual corporate tax return.</li> </ul>	No	Yes	Turkish	Yes
<b>UK</b>	<p>The tax authorities have a dedicate team for transfer pricing enquiries and have increased their efforts over the past few years to increase their yield from transfer pricing enquiries.</p> <p>For large business, the yield figures are:-</p> <p>2003/04 £118m 2004/05 £138m 2005/06 £230 2006/07 £473m</p> <p>The figures for later years have not yet been published.</p>	Management charges have always been a hot topic in the UK and there has been talk that the UK authorities will be scrutinising business restructurings (transfer of functions and valuation of intangibles) in the future.	The UK tax authorities target companies where the potential tax yield is greater.	Special commissioners decision in DSGI Case <a href="http://www.financeandtaxtribunals.gov.uk/judgmentfiles/4358/TC00001.doc">http://www.financeandtaxtribunals.gov.uk/judgmentfiles/4358/TC00001.doc</a>  This case concerns DSG International, owner of Dixons and Currys, and their arrangements to provide extended warranty cover. This is the first major transfer pricing case to come through under corporation tax self assessment (introduced for accounting periods from 1 July 1999 onwards). The case is particularly relevant as it helps clarify the use of Comparable Uncontrolled Prices and when it is appropriate to use them.	Yes	English	Yes, unilateral and bilateral.
<b>Ukraine</b>	<p>We may confirm that recently Ukrainian tax authorities has indeed increased their efforts as to pricing of transactions. It shall be noted that due to some procedural issues which are not properly regulated in legislation, as of today there are technical problems for tax authorities to apply tax assessment based on arm's length prices. To solve this complexities the State Tax Administration of Ukraine issued circular of 30.09.2009 # 21255/7/15-0217 providing official interpretation of the procedure of tax assessment based on the arm's length prices. In particular, such procedure implies referring to court by tax authorities when there are assessment of additional tax liabilities. Also, on September 25, 2009 the draft law on amending of the Corporate Profit Tax Act was submitted to Ukrainian Parliament. This Law is to regulate application of the arm's length prices for Ukrainian tax purposes. The positive moment is that amendments to be introduced by the draft law bring respective legislation closer to internationally accepted standards (e.g. pricing methods). No official statistics available for the moment.</p>	No. The tax authorities normally focus on all transactions principally subject to the application of the arm's length principle (e.g. transactions with related parties, non-residents).	No specific targeting is visible for the moment.	No	No	Ukrainian or translated to Ukrainian	No, but advance tax rulings may be applied for.
<b>USA</b>	Yes, the IRS is aggressively expanding the number of economists dedicated to audit enforcement. The U.S. government is increasingly concerned with a tax-base that has been migrating off-shore for a number of years.	IP migration and Cost-Sharing are where the IRS sees the greatest opportunities to generate tax adjustments. However, the IRS also recently released new Services regulations, so it is clear that they are focusing on services as well. Audits involving guarantee fees also seem to be increasing to some degree.	No specific industries, but software and pharmaceutical industries tend to migrate IP quite frequently, so they are logical targets.	Yes, a vast number of cases and litigations, such as Glaxo, Xilinx, and many others.	Yes	English	Yes