



MULTI-COUNTRY ANALYSIS OF EXISTING TRANSFER PRICING SIMPLIFICATION MEASURES

10 June 2011

This Report was approved for release
by the Committee on Fiscal Affairs
on 8 June 2011



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The *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* (“TPG”) provide internationally accepted guidance on the application of the arm’s length principle set out in Article 9 of the OECD and UN Model Tax Conventions. While the OECD works on an ongoing basis to monitor and revise the TPG in order to continually improve the transfer pricing guidance available to taxpayers and tax administrations, it also recognises the growing need to address practical and administrative aspects of implementation of the TPG.

The OECD’s Committee on Fiscal Affairs (“CFA”) launched in 2010 a project on the administrative aspects of transfer pricing including a review of techniques that may be implemented by countries to optimise the use of taxpayers’ and tax administrations’ resources. A survey was conducted as part of this project. This document presents the main findings from the survey. Thirty-three OECD and non-OECD countries provided detailed responses concerning measures currently existing in their domestic law to simplify the application of their transfer pricing rules.

The survey described in this document focussed specifically on simplification measures countries have adopted as part of their transfer pricing regimes. These include not only safe harbours but also measures such as less stringent documentation requirements, alleviated penalties, streamlined procedures, etc. This document contains both an analysis of the key findings from the survey and a compilation of the country responses.

The results of this survey will help to inform the work currently being pursued by the CFA to improve the administration of transfer pricing for OECD and non-OECD economies. That work will include revisiting the existing guidance on safe harbours in Chapter IV of the TPG with a view to possibly updating it in order to reflect the experience acquired since the TPG were first published in 1995. It will also include an analysis of the advantages and disadvantages of various forms of transfer pricing administrative simplification and may lead to the development of good practice recommendations in this area.

Interested parties are invited to send comments on the main findings presented in this document and more generally on the administrative aspects of transfer pricing before 30 June 2011 in Word format to Jeffrey Owens, Director, CTPA (jeffrey.owens@oecd.org). Unless otherwise indicated by the commentators at the time of submission, the contributions received may be posted on the OECD Internet site.

See www.oecd.org/document/15/0,3746,en_2649_33753_47265231_1_1_1_1,00.html for further information.

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INTRODUCTION

A - Background

1. The OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (“TPG”) provide internationally accepted guidance on the application of the arm’s length principle set out in Article 9 of the OECD and UN Model Tax Conventions. The TPG were originally approved in 1995 and were substantially revised in 2010. The OECD is constantly monitoring the implementation of the TPG and working on the development of consensus international guidance to address some of the most complex areas of transfer pricing. In 2010, the Council of the OECD approved the 2010 update of the TPG which contains [updated guidance on comparability analyses and on the selection and application of transfer pricing methods](#), as well as new guidance on the [transfer pricing aspects of business restructurings](#). On the same day, the Council of the OECD approved the [2010 Report on the Attribution of Profits to Permanent Establishments](#). The OECD started in 2011 a new project on the [transfer pricing aspects of intangibles](#).

2. While there is a need for the development of increasingly sophisticated guidance for complex transactions, it is also essential to promote a cost-effective use of taxpayers’ and tax administrations’ resources for improved compliance and enforcement processes. In effect, countries often have scarce administrative resources to enforce transfer pricing rules. At the same time, taxpayers are facing increasing compliance requirements and transfer pricing audit activities worldwide. Many commentators therefore urge governments to direct compliance and enforcement efforts to the riskiest, biggest and most complex transactions.

3. The TPG, especially at paragraphs 3.80-3.83, 5.6-5.7 and 5.28, repeatedly emphasise that documentation requirements should be reasonable and should not impose on taxpayers costs and burdens disproportionate to the circumstances. The OECD initiated in 2010 a project on the [administrative aspects of transfer pricing](#). This project started with a survey of the transfer pricing simplification measures in existence in OECD and Observer¹ countries, which is the subject of this document. Other elements of this project include the creation of an Internet-based platform for transfer pricing administration to facilitate the sharing of information and experience among tax officials on the administrative aspects of transfer pricing, including issues such as the organisation of transfer pricing audits, the development of risk assessment techniques, the design of transfer pricing documentation requirements, the setting up of Advance Pricing Arrangement programmes, etc.; and revisiting the existing guidance on safe harbours in Chapter IV of the TPG with a view to possibly updating it in order to reflect the experience acquired since 1995.

¹ The following countries participate as Observers in the work of the OECD’s Committee on Fiscal Affairs: Argentina, the People’s Republic of China, India, the Russian Federation and South Africa.

B - Methodology

4. A questionnaire was distributed in July 2010 to all member and Observer countries on their existing transfer pricing simplification measures. These include safe harbours as well as other types of simplification measures such as alleviated documentation requirements for small transactions or small and medium-sized enterprises, streamlined dispute prevention processes, etc. Responses were received from the following 33 countries: Argentina, Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Slovenia, Spain, South Africa, Sweden, Switzerland, Turkey, the United Kingdom and the United States, as well as the European Union.

5. The main body of this document contains an analysis of the responses received and the annex contains a compilation of the country responses which are based on the facts as of 17 March 2011.

6. Five categories of simplification measures are analysed in this survey:

- Exemptions from transfer pricing rules or from transfer pricing adjustment;
- Simplified transfer pricing methods, safe harbour arm's length ranges and safe harbour interest rates;
- Exemptions from or simplified documentation requirements;
- Exemptions from or alleviated penalties;
- Simplified Advanced Pricing Arrangement ("APA") procedures or reduced APA charges.

7. There is a debate whether thin capitalisation rules such as fixed debt/equity ratios should be regarded as transfer pricing simplification rules or rather as anti-abuse rules. Debt/equity ratios and other measures that set a limit on the amount of a taxpayer's indebtedness for tax purposes are not included in this document's analysis of transfer pricing simplification measures. On the other hand, measures that simplify the determination of arm's length interest rates on loans between associated enterprises are included in the analysis.

C - Key findings

8. Twenty-seven out of thirty-three respondent countries indicated that they have transfer pricing simplification measures in place. Since some countries have several measures in place, the total number of measures identified in this survey is fifty-eight. These simplification measures are generally evaluated favourably by the countries concerned (see paragraphs 17 and 37).

9. Unsurprisingly, more than 70% of the available simplification measures are directed to small and medium-sized enterprises ("SMEs"), small transactions and low-value-added services, *i.e.* transactions which are deemed to carry a limited tax risk. This finding is consistent with a pragmatic risk assessment strategy by governments and with the objective to keep compliance costs proportionate with the size and complexity of the transaction (see paragraphs 18).²

10. The following countries indicated that they have simplification measures in favour of SMEs: Australia, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Mexico, Netherlands, Norway, Spain, the United Kingdom and the United States. The following countries indicated that they have simplification measures applicable to small transactions: Australia, Belgium,

² See paragraph 3.83 of the TPG on small and medium-sized enterprises and transactions.

Denmark, Finland, Germany, Hungary, India, Norway, Poland, Spain, Sweden and the United States (see paragraph 19).

11. Six countries (Australia, Austria, Japan, Netherlands, New Zealand and the United States) reported that they have measures applicable to low value-added services. Low value-added services are generally simple transactions with limited tax revenues at stake, hence the rationale to simplify the compliance and administrative burden in relation to them (see paragraph 19).

12. Nine countries indicated that they have simplification measures such as simplified transfer pricing methods, safe harbour arm's length ranges and safe harbour interest rates. It is worth noting that all these simplification measures are optional. This probably explains the fact that no country reported double taxation cases that may have been caused by the application of their own or another country's simplification measures (see paragraphs 21, 32 and 38).

D - Next step

13. This survey is one element of a more comprehensive project looking at how to improve the administration of transfer pricing. In March 2011, the OECD invited comments from interested parties on:

- Their experience with various forms of transfer pricing administrative simplification measures and their effectiveness;
- What the different types of regimes referred to as “safe harbours” are and how best to describe them and differentiate among them;
- The advantages and disadvantages of safe harbour rules and other forms of transfer pricing administrative simplification, in practice and from a policy perspective;
- Whether the existing guidance on safe harbours which is in Section E, Chapter IV of the TPG should be revised, and if so how.

14. Interested parties are invited to send comments on the items listed above and on the main findings presented in this document before 30 June 2011 in Word format to Jeffrey Owens, Director, CTPA (jeffrey.owens@oecd.org). Unless otherwise indicated by the commentators at the time of submission, the contributions received may be posted on the OECD Internet site. See www.oecd.org/document/15/0,3746,en_2649_33753_47265231_1_1_1_1,00.html for further information.

15. Further information on the outcome of this consultation and on future work will be made available on the OECD Internet site (www.oecd.org/ctp/tp).

Information on OECD and Observer countries' transfer pricing regimes is available in the transfer pricing country profiles at www.oecd.org/ctp/tp/countryprofiles .
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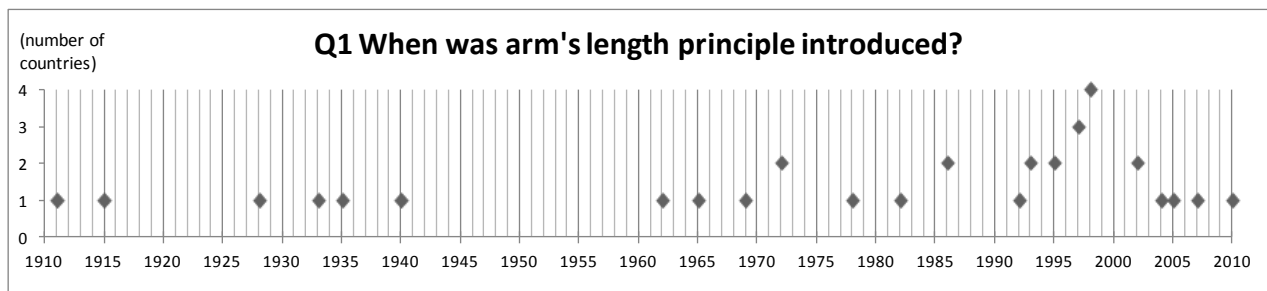
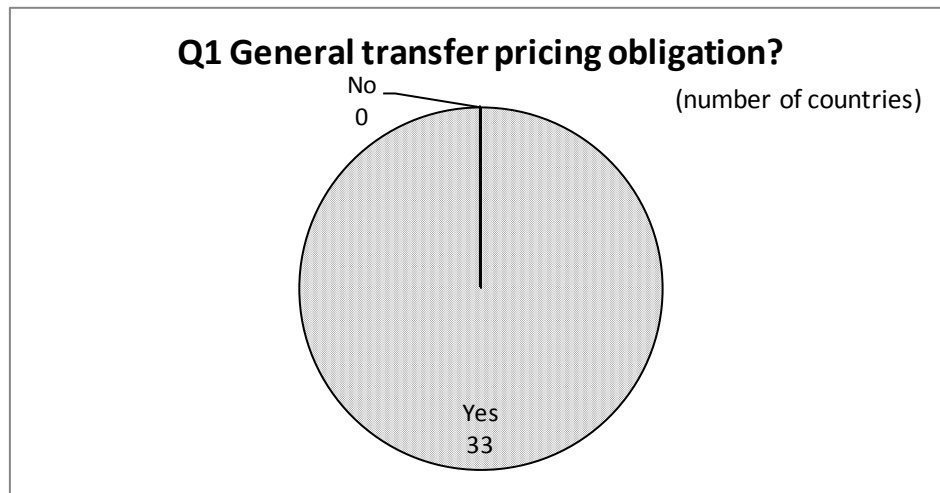
ANALYSIS OF THE COUNTRY RESPONSES RECEIVED

Q1 General transfer pricing obligation

Does the legislation in your country establish a general obligation for taxpayers to comply with the arm's length principle? (Yes / No)

If yes, please indicate the year when this obligation was introduced in the legislation.

16. All 33 respondent countries indicate that their legislation establishes a general obligation to comply with the arm's length principle ("ALP").³



³ The Swiss Legislation provides for the arm's length principle in article 58 of Federal Direct Tax Law of December 14, 1990 even if it does not use the exact expression arm's length principle.

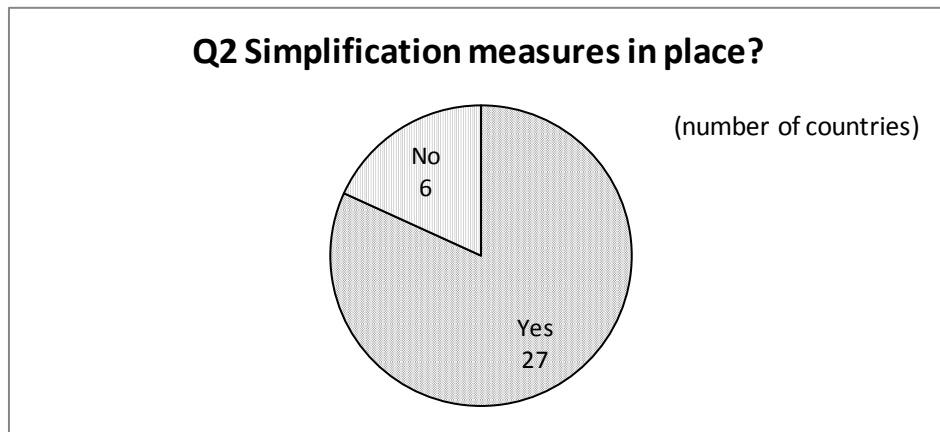
The governing statute in the United States, 26 U.S.C. Section 482, does not explicitly mention the arm's length principle. It contains the broader requirement that the Commissioner may allocate items of income and loss between commonly owned or controlled taxpayers in order to clearly reflect income or prevent tax avoidance. However, the Commissioner has issued extensive regulations under Section 482, which establish the arm's length principle as the standard for transfer pricing adjustments.

Q2 Scope of existing simplification measures in the transfer pricing area

Does your country have transfer pricing simplification measures in place? (Yes / No)

If yes, please indicate the scope of each simplification measures.

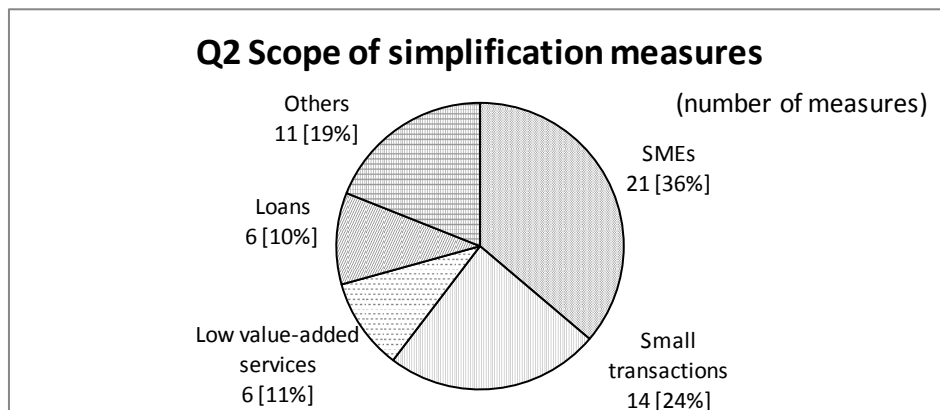
17. Twenty-seven out of 33 respondent countries have transfer pricing simplification measures in place. Since some countries have several measures in place, the total number of simplification measures reported by these countries is fifty-eight.



- Countries which have transfer pricing simplification measures: Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Mexico, Netherlands, New Zealand, Norway, Poland, Slovenia, Spain, South Africa, Sweden, Turkey, the United Kingdom and the United States.
- Countries which do not have transfer pricing simplification measures: Argentina, Chile, Czech Republic, Korea, Luxembourg and Switzerland.

Qualifying taxpayers and transactions

18. Among the respondent countries, measures benefitting “small and medium-sized enterprises” (“SMEs”) account for more than one-third of the available simplification measures, and measures benefitting “small transactions” account for almost a quarter of them.



19. Countries providing simplification measures for each target category of taxpayer or transaction are as follows:

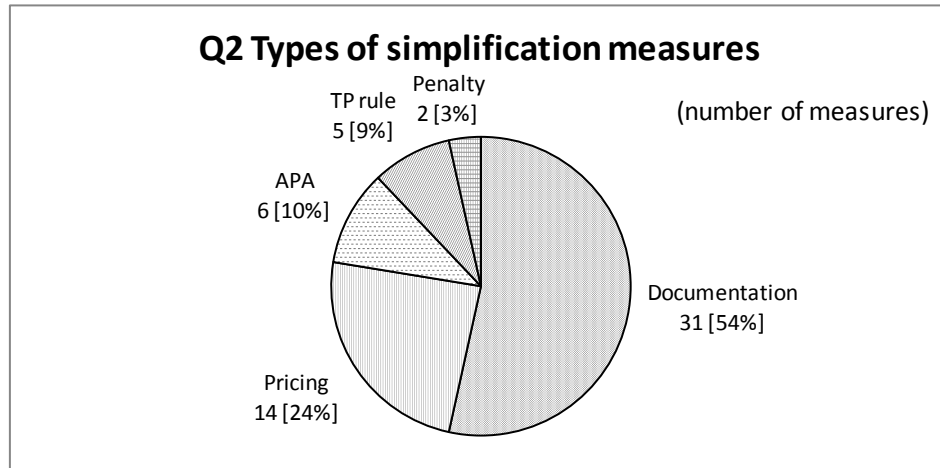
- SMEs: Australia, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Mexico, Netherlands, Norway, Spain, the United Kingdom and the United States
- Small transactions: Australia, Belgium, Denmark, Finland, Germany, Hungary, India, Norway, Poland, Spain, Sweden and the United States
- Low value-added services: Australia, Austria, Japan, Netherlands, New Zealand and the United States
- Loans:⁴ Austria, Japan, New Zealand, Slovenia, South Africa and the United States
- Others: Canada, Germany, Hungary, India, Israel, Mexico, Spain and Turkey.

Types of simplification measures

20. In this document, simplification measures reported by respondent countries are classified as follows:

- Documentation: “Exemption from documentation requirements”, “Simplified documentation” and “Exemption from disclosure requirement”
- Pricing: “Simplified transfer pricing method”, “Safe harbour arm’s length range” and “Safe harbour interest rate”
- Advance pricing arrangement (“APA”): “Simplified APA procedures” and “Reduced APA charge”
- TP rule: “Exemption from transfer pricing rules” and “Exemption from transfer pricing adjustment”
- Penalty: “Exemption from penalty” and “Alleviated penalties”.

21. Among the respondent countries, simplification measures related to documentation account for more than half of the available simplification measures and those related to pricing account for almost a quarter of them.

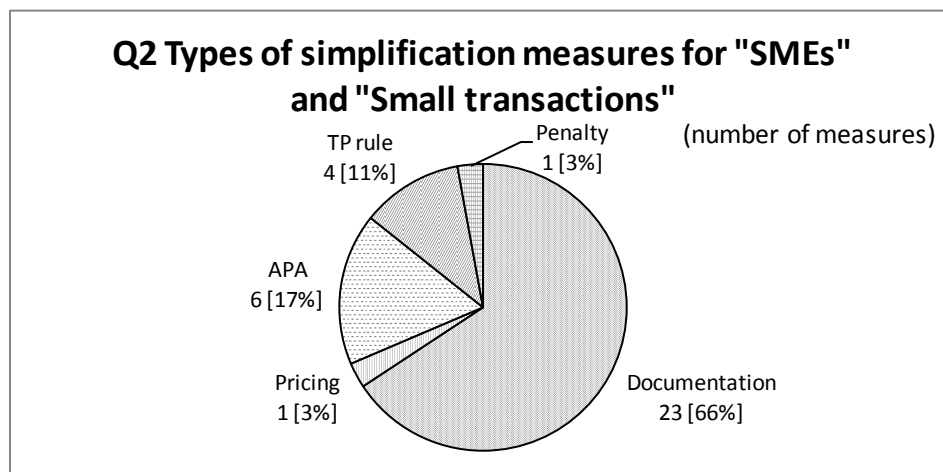


⁴ This category includes simplification measures related to the determination of an arm’s length interest rate on loans between associated enterprises. It does not include measures such as debt/equity ratios which relate to the amount of indebtedness.

Countries which provide simplification measures involving each type of category are as follows:

- Documentation: Australia, Belgium, Denmark, Estonia, Finland, France, Germany, Hungary, India, Israel, Italy, Mexico, Norway, Poland, Spain, Sweden and Turkey
- Pricing: Australia, Austria, Japan, Mexico, Netherlands, New Zealand, Slovenia, South Africa and the United States
- APA: Canada, France, Germany, Netherlands and the United States
- TP rule: Hungary, India, Ireland, Mexico and the United Kingdom
- Penalty: Canada and Spain.

22. The proportion of simplification measures related to documentation and APAs is even greater when looking at measures for SMEs and small transactions.



Q3 Absence of simplification measures

If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

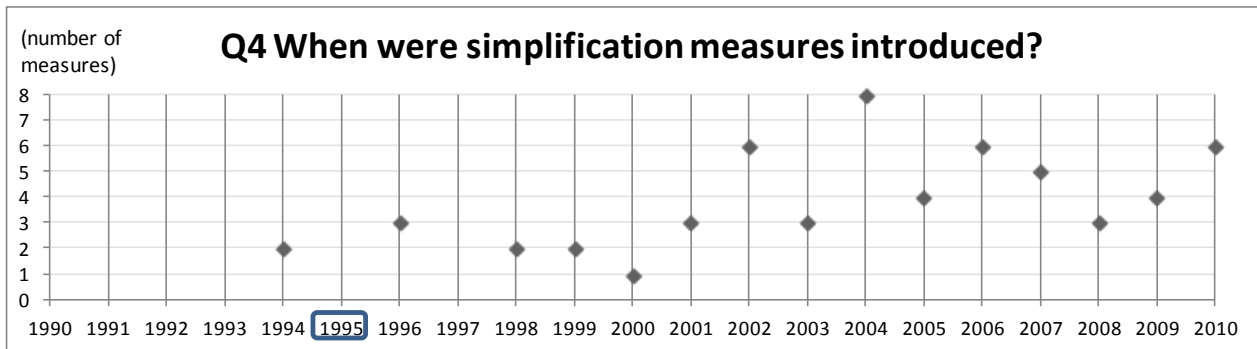
Argentina	The need for adoption of transfer pricing simplification measures was not evaluated.
Chile	<p>Regarding documentation requirements under Chilean transfer pricing rules, taxpayers are only requested to keep a registry available to the tax authority referring to their cross-border controlled transactions as well as any documentation connected to such transactions.</p> <p>As there is no other specific documentation requirement on transfer pricing which may cause administrative burden for taxpayers, it has not been considered necessary to provide for simplification measures in that regard.</p>
Czech Republic	<p>In our tax law there is no difference between taxpayers. All of them are obliged to refer and explain their transactions according to the arm's length principle to the tax authority.</p> <p>Although there is no specific documentation requirement on transfer pricing in the Czech tax law because of possible administrative burden for taxpayers, the taxpayers can use a recommendation in respect of the scope of transfer pricing documentation issued by the Ministry of Finance as guidance in this field. The tax authority takes circumstances into account case by case.</p>
Korea	N/A
Luxembourg	N/A
Switzerland	They were simply deemed unnecessary.

Q4 Legal basis

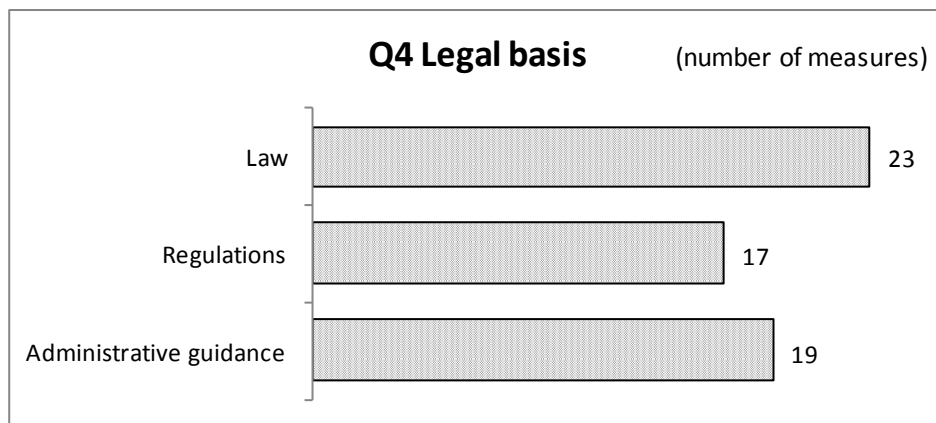
For transfer pricing simplification measures in place, please indicate:

- When was the simplification measure introduced?
- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulations = secondary legislation, Administrative guidance = other than the law and regulations)

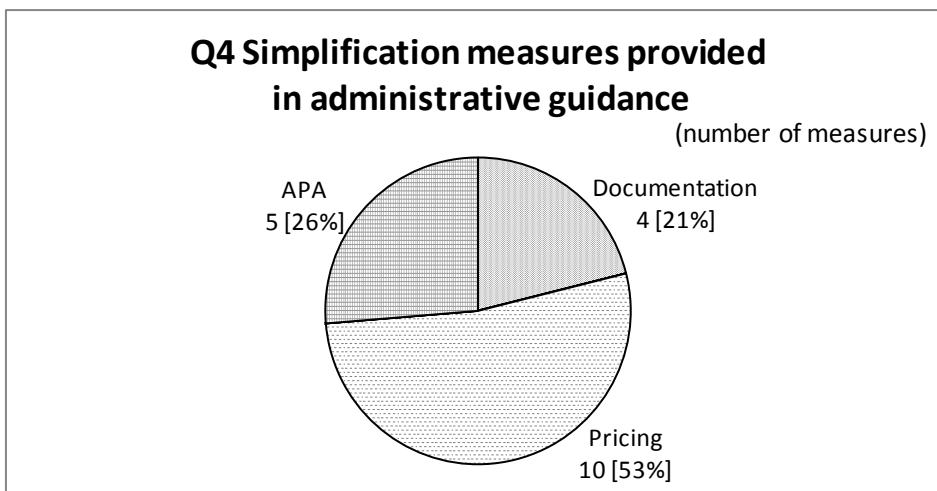
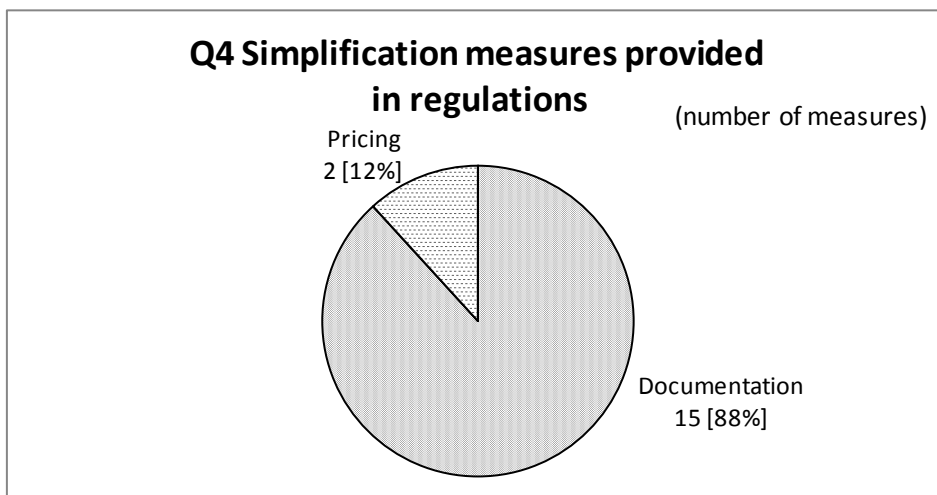
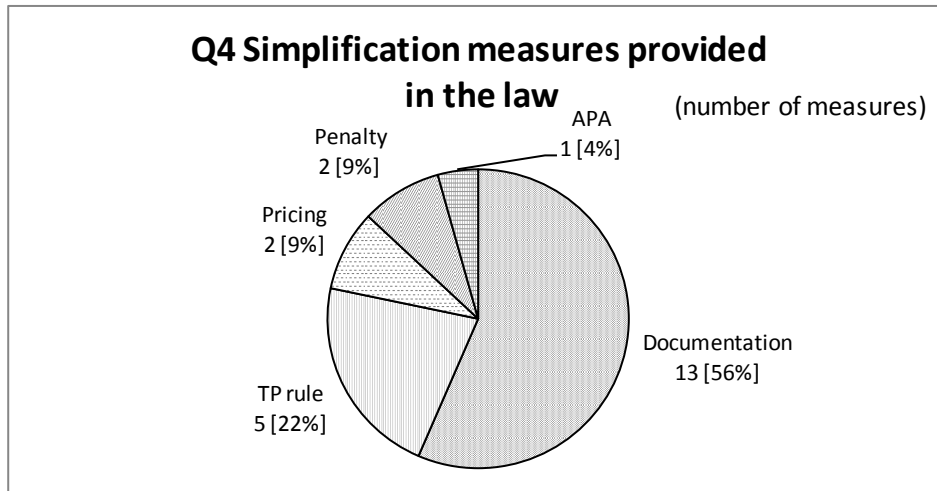
23. Ever since the period of the approval of the OECD Transfer Pricing Guidelines (1995), simplification measures have been introduced almost every year. From 2001 onward, an average of 4.8 simplification measures a year has been introduced by the group of respondent countries.



24. Although most of the simplification measures are provided in the law, a number of them are provided in administrative guidance or regulations.



25. All types of simplification measures are provided by law in certain cases. By contrast, only documentation and pricing measures are provided in regulations; administrative guidance is used only to provide simplification measures related to documentation, pricing and APAs.



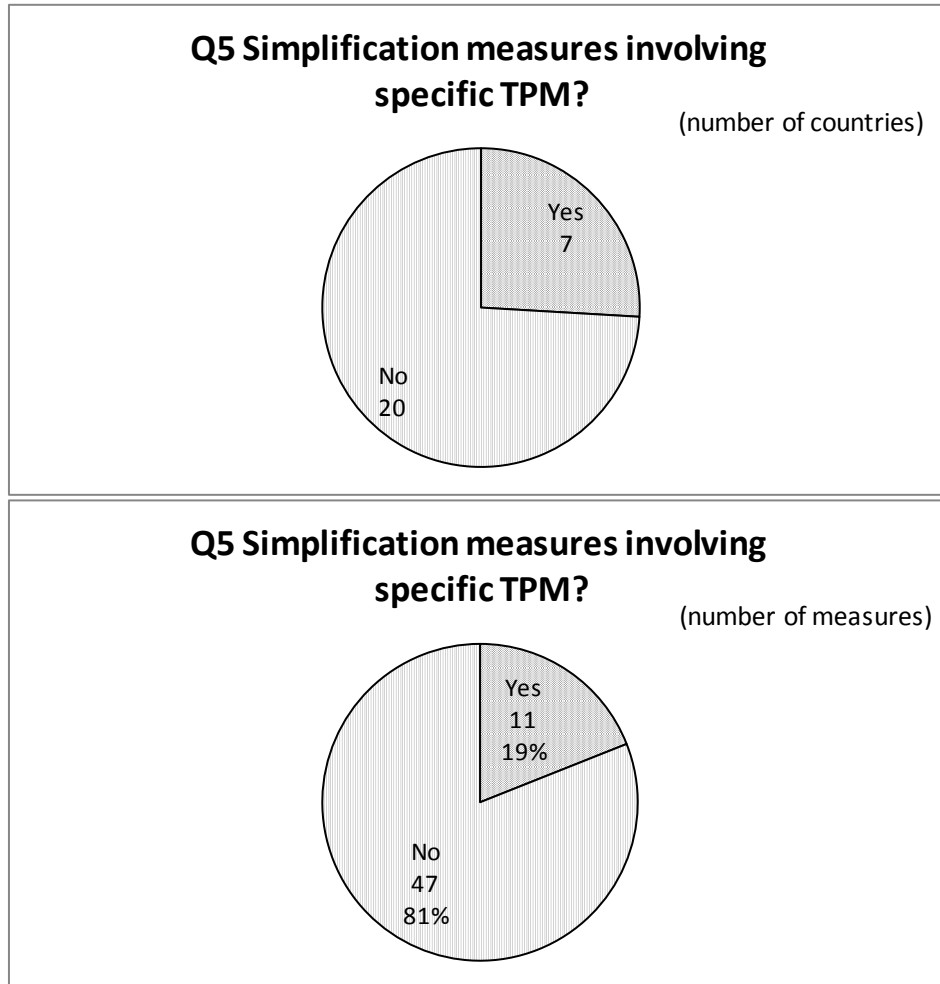
Q5 Simplification measures involving a specific transfer pricing method (“TPM”)

Does the simplification measure involve a specific transfer pricing method? (Yes / No)

If yes:

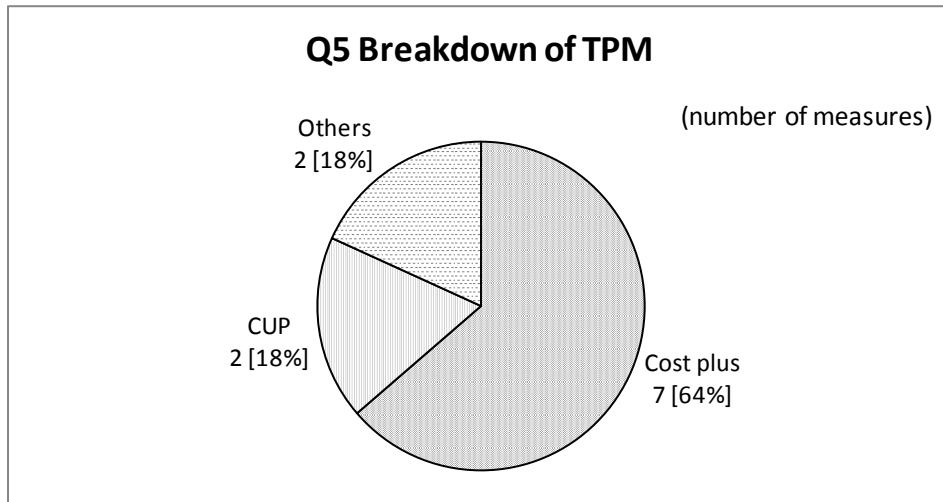
- Please specify what transfer pricing method applies and how.
- How and/or on what basis was that transfer pricing method set?
- Has the transfer pricing method been revised since it was introduced?

26. Out of 27 respondent countries which have transfer pricing simplification measures, 7 countries have measures which involve a specific TPM. They account for 19% of all simplification measures.

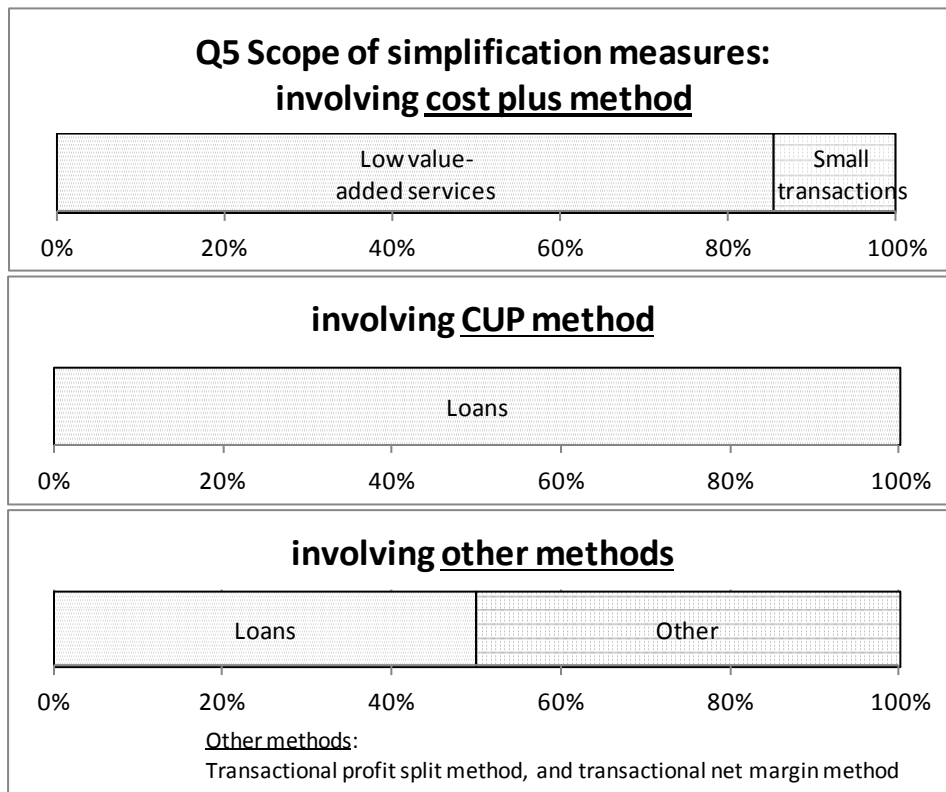


- Countries which have measures involving a specific transfer pricing method: Australia, Austria, Japan, Mexico, Netherlands, New Zealand and the United States.

27. Sixty-four percent of such measures involve the cost plus method,⁵ and 18% involve the comparable uncontrolled price method. The category “Others” consists of measures relating to the transactional profit split method and transactional net margin method.



28. Simplification measures involving the cost plus method are mostly provided for low value-added services. Simplification measures involving the comparable uncontrolled price method are all provided for interest rates on loans.

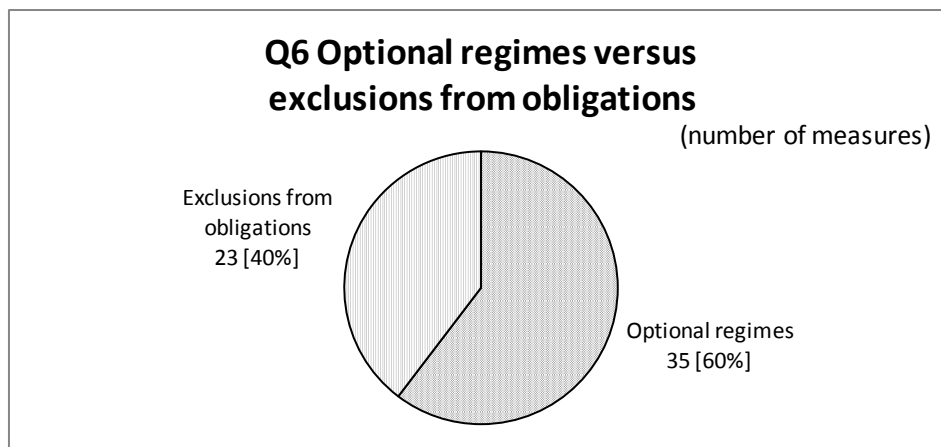


⁵ Including the United States’ services cost method and associated Shared Services Arrangement.

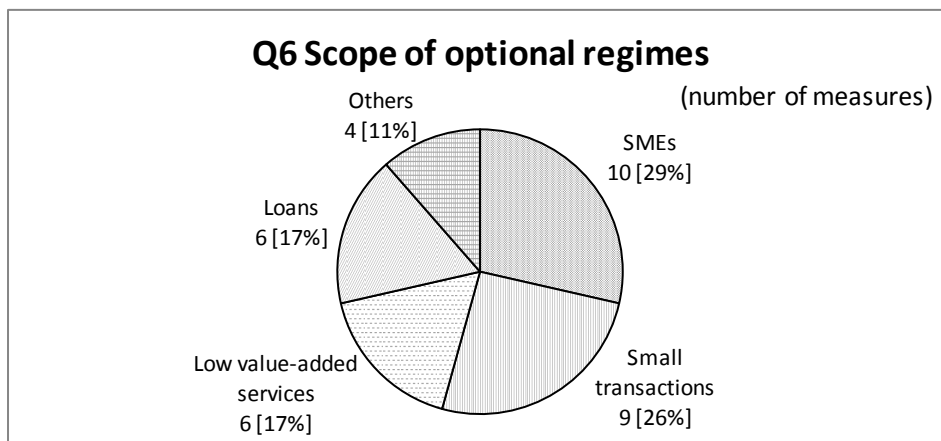
Q6 Optional regimes versus exclusions from obligations

Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

29. As for the simplification measures mentioned in the response, optional regimes account for 60% of the simplification measures and exclusions from the scope of transfer pricing obligations account for rest.

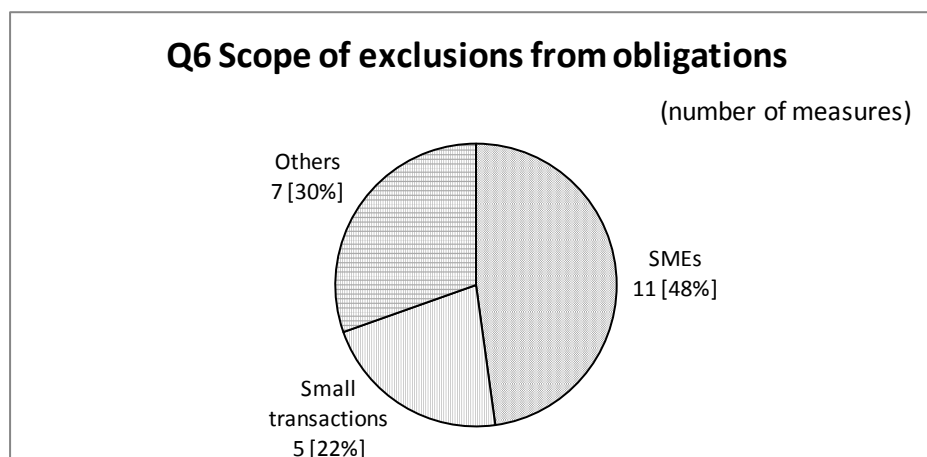


30. Optional regimes are found among all target categories of taxpayers or transactions.⁶



⁶ The United Kingdom's simplification measure of exempting SMEs from the basic transfer pricing rule is an exclusion in the first instance -- *i.e.* it applies to all qualifying persons automatically without the need for an election. However, (i) the taxpayer may make an (irrevocable) election for the exclusion not to apply and hence for the basic transfer pricing rule to apply; and (ii) the Board of HMRC may give notice to a medium-sized enterprise (but NOT to a small-sized enterprise) that would otherwise qualify for the exclusion that the basic transfer pricing rule will apply.

31. By contrast, low value-added services and interest on loans do not qualify for exclusions from obligations, but only for optional simplification measures related to pricing such as simplified transfer pricing methods, safe harbour arm's length range and safe harbour interest rate.



32. Importantly, simplification measures related to pricing such as simplified transfer pricing methods, safe harbour arm's length ranges and safe harbour interest rates are all optional regimes, regardless of the eligible taxpayers or transactions.

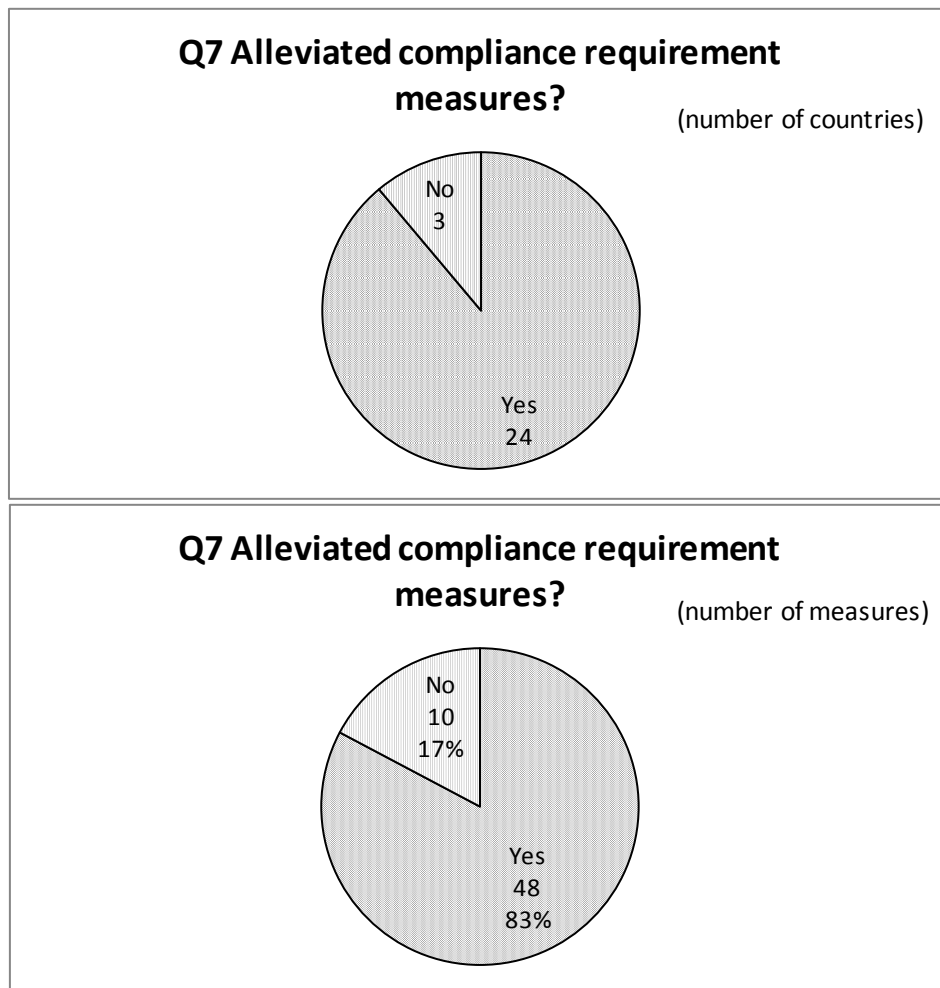
	Eligible taxpayers / transactions	Type of simplification measure	Option / Exclusion
Australia	Low value-added services	Safe harbour arm's length range	Option
	Small transactions	Safe harbour arm's length range	Option
Austria	Low value-added services	Safe harbour arm's length range	Option
	Loans	Simplified transfer pricing method	Option
Japan	Low value-added services	Simplified transfer pricing method	Option
	Loans	Simplified transfer pricing method	Option
Mexico	Others	Safe harbour arm's length range	Option
Netherlands	Low value-added services	Simplified transfer pricing method	Option
New Zealand	Low value-added services	Safe harbour arm's length range	Option
	Loans	Simplified transfer pricing method	Option
Slovenia	Loans	Safe harbour interest rate	Option
South Africa	Loans	Safe harbour interest rate	Option
United States	Loans	Safe harbour interest rate	Option
	Low value-added services	Simplified transfer pricing method	Option

Q7 Rules that alleviate documentation, penalties, or other compliance burdens

Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)

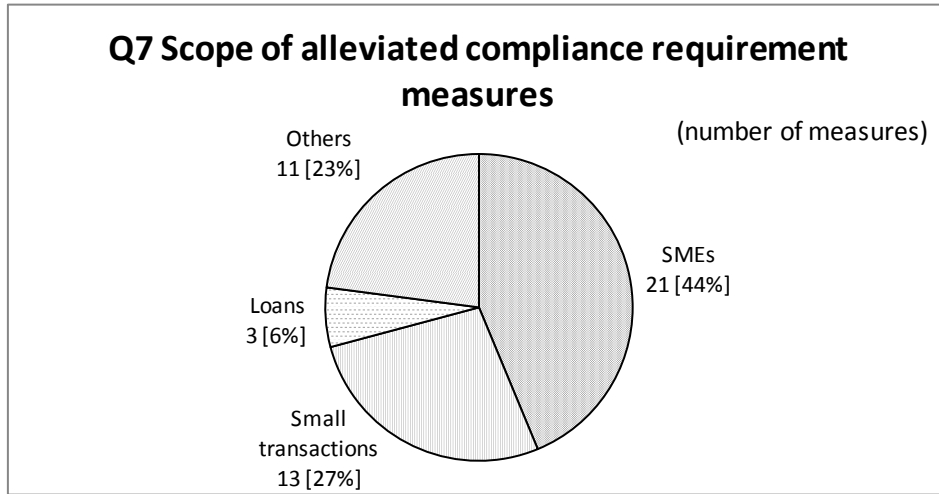
If yes, please describe how they are alleviated through the simplification measures.

33. Out of 27 respondent countries which have transfer pricing simplification measures, 24 countries have measures which involve alleviated compliance burdens. They account for 83% of all simplification measures.

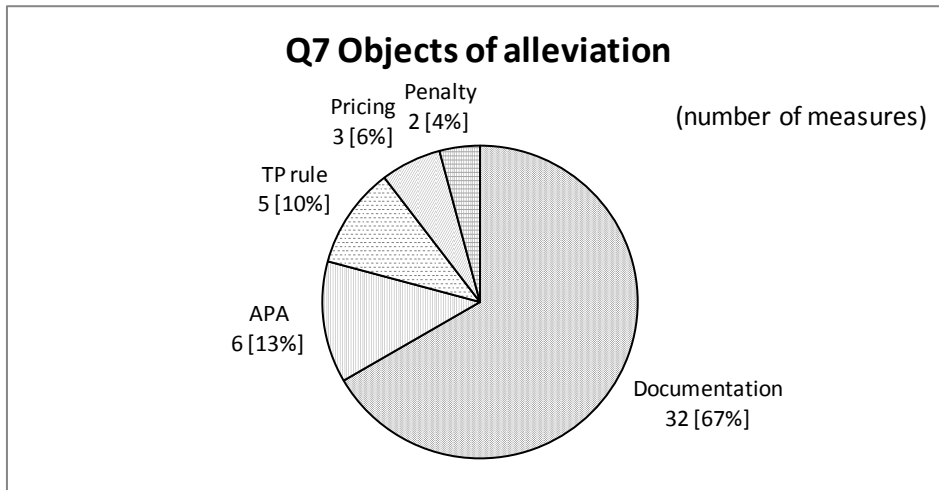


- Countries which have measures involving alleviated compliance burdens: Australia, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Hungary, India, Ireland, Israel, Italy, Mexico, Netherlands, Norway, Poland, Slovenia, Spain, South Africa, Sweden, Turkey, the United Kingdom and the United States

34. Among the respondent countries, SMEs and small transactions together qualify for more than 70% of such measures.



35. Simplification measures related to documentation account for 67% of the measures alleviating compliance burdens, followed by APAs for 13% and TP rules for 10%.



Q8 Administrative practices

Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

36. Most of the countries which responded to this question, except India and Israel, indicate that they do not have such administrative practices. It can be observed, however, that every country has some kind of prioritisation practices in their transfer pricing administration, as indicated in the following responses.

Australia	Generally, the ATO adopts a risk-based approach to compliance work. Taxpayers with larger, more complex dealings and lower levels of profitability are likely to be at greater risk of transfer pricing review.
Austria	No There are no specific criteria or thresholds available. The auditor shall exercise an adequate discretionary power in this regard.
Belgium	Not in principle. However, generally SME (or small groups) do not undergo an in-depth transfer pricing audit although in principle they could undergo such an audit. However, most of the SMEs are not active internationally or have only limited international activities.
France	Formally, there is no threshold below which an audit of transfer pricing may not be initiated. In practice, though, the scope of investigations in the field of transfer pricing is proportional to the amounts involved.
Germany	Besides the simplification measures it should be noted that the constitutional and overriding principle of proportionality has to be respected by the tax administration. The principle of proportionality is part of the risk management of the local tax authorities in planning and executing a tax audit. This means that, depending on the facts and circumstances of each individual case, an examination of transfer prices should not be undertaken in minor cases and minor adjustments should be avoided. But there are no fixed thresholds. The principle of proportionality is part of the principle of investigation in Section 88 of the Fiscal Code of Germany.
India	Yes. Presently taxpayers having aggregate international transactions of less than 150 million INR are normally not audited for transfer pricing purposes. Initially the threshold limit was 50 million INR. This limit has been fixed by way of internal instruction issued by the CBDT.
Israel	Yes
New Zealand	The tax authority may allocate resources to audit activities in terms of tax at risk. There are no set criteria or thresholds other than the exercise of care and management. An interpretative statement on “care and management” is publicly released.
Sweden	In general, Sweden does not make “minor” (depends of the size of the company) adjustments (unless it is a matter of important principle).

Turkey	There are no specific criteria or thresholds available in the administrative practices. However, cross-border transactions between associated enterprises are potentially under the risk of transfer pricing examinations.
United Kingdom	No, although a general assessment of the transfer pricing risks of an MNE will include a consideration of the level of controlled transactions and hence tax at risk.

Q9 Assessing the effectiveness of the simplification measures

- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

37. Although estimates of the number of taxpayers benefitting from transfer pricing simplification measures and impact studies are rarely available, such measures are generally evaluated favourably by the respondent countries, as indicated in the following responses.

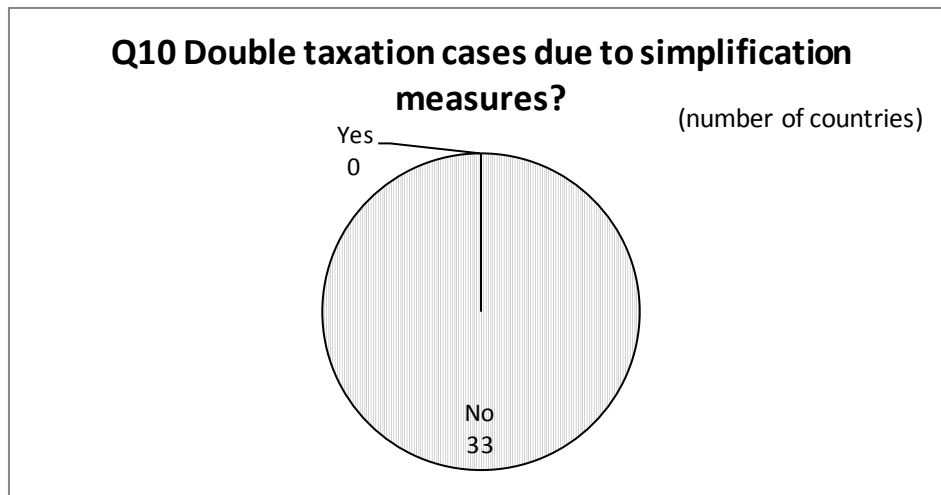
Australia	Anecdotal feedback from taxpayers suggests that the administrative practice on non-core services, in particular, has been very valuable. This practice has also been adopted by another revenue administration.
Denmark	The simplification measure has reached its objective of diminishing compliance burden on the smallest companies, since they are exempt from the documentation requirements. The criteria for the exemption are objective making it easy for businesses to assess whether the simplification applies to them or not.
Estonia	The simplification measure has been welcomed by the SMEs.
Finland	It is quite clear that the simplification measures that concern the documentation and small-scale transactions have diminished compliance burden.
Hungary	The simplified documentation and the possibility of preparing documentation in a foreign language are welcomed by the business community.
India	The simplification measures along with the threshold limit of 50/150 million INR have helped taxpayers in diminishing their compliance burden.
Ireland	The simplification measure diminishes the compliance burden for SMEs
Japan	Our simplification measures contribute not only to implement efficient administration for tax authorities but also to increase certainty and to minimize the compliance burden for both taxpayers and tax authorities.
Netherlands	No formal assessment, but generally understood to be very little lost in tax revenue but a significant saving made in compliance costs. The simplification measure has achieved its objectives.
New Zealand	No formal assessment, but generally understood to be very little lost in tax revenue but a significant saving made in compliance costs. The simplification measure is very effective.
Slovenia	We are of the opinion that the recognised interest rate achieved its objectives - diminished compliance burden and increased certainty for taxpayers that provide or obtain loans to or from related companies. The business community has accepted the recognised interest rate rule and we have not received proposals to amend (or abolish) this rule.

South Africa	The business community has never been formally engaged but informal feedback is that the administrative practice adopted does provide certainty and does alleviate certain compliance costs.
Sweden	The Swedish Tax Agency has not measured the outcome, but has experienced that some of the companies concerned are pleased with the simplified rules.
United Kingdom	The measure achieves both increased certainty and a reduced compliance burden for taxpayers.
United States	<p>Based on the relative lack of controversy in connection with this rule [on the safe harbour interest rate], we believe it has provided certainty for taxpayers and has freed audit teams to pursue bigger and more important issues. Thus, the informal determination has been that the potential for whipsaw is outweighed by the benefit of avoiding costly but relatively unproductive audits of loans that do not involve taxpayers in the lending business. It is thus one of the few instances where a safe harbour has been deemed appropriate in simplifying the administration of transfer pricing.</p> <p>The objective of the rule [on the services cost method] is to administratively take low value services off the audit table so that both audit teams and taxpayers can devote their resources to more significant transfer pricing or other audit issues. There is a whipsaw potential, but such whipsaw is believed to be minimal in comparison with the corresponding benefit gained through conservation of audit resources</p>

Q10 Double taxation cases caused by simplification measures

- Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

38. No country reported double taxation cases that may have been caused by the application of either its own simplification measure(s) or another country's simplification measures.



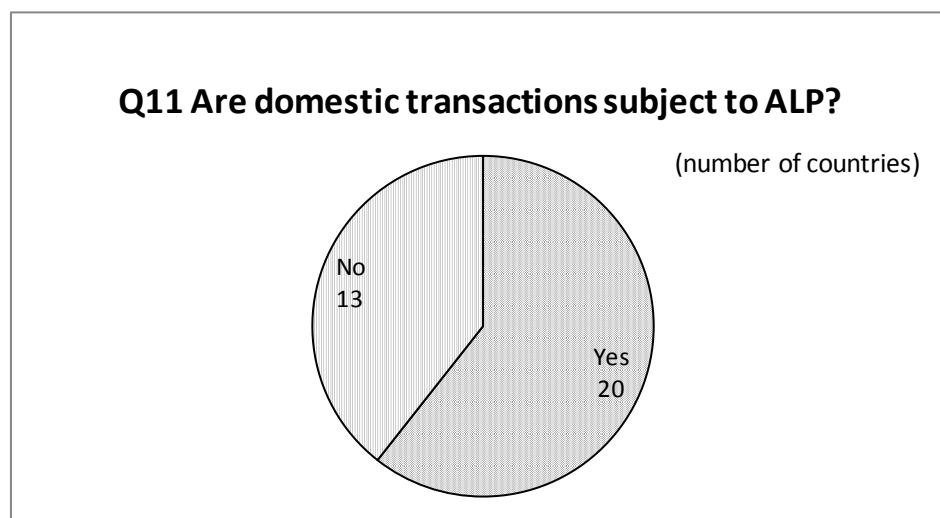
Q11 Domestic transactions

Are transactions among domestic related parties also subject to the arm's length principle? (Yes / No)

If yes:

- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

39. In 20 out of 33 respondent countries, transactions among domestic related parties are subject to the arm's length principle.



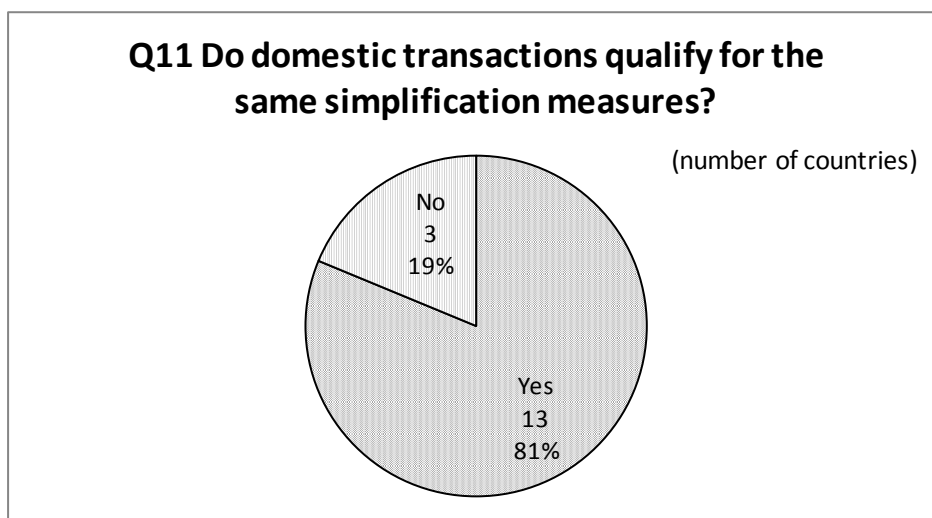
- Countries in which domestic related party transactions are subject to the arm's length principle: Austria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Israel, Luxembourg, Mexico, Netherlands, Norway, Poland, Slovenia,⁷ Spain, Turkey, the United Kingdom and the United States

⁷ The arm's length principle among domestic related parties is used only in following cases:

- If one of the domestic related parties in the tax period for which revenue and expenses are established discloses an uncovered tax loss carried forward from previous tax periods; or
- If one of the domestic related parties pays tax at a 0% rate or at a special rate, lower than the general tax rate in CITA-2; or
- If one of the domestic related parties is exempt from paying tax under CITA-2.

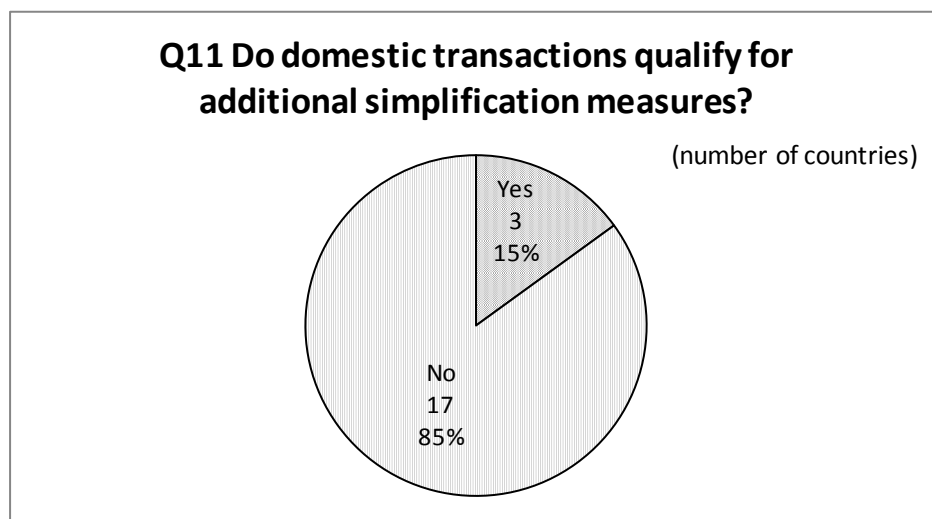
The arm's length principle among domestic related parties is more an anti-avoidance issue than a transfer pricing issue.

40. In 13 out of 16 countries in which the same transfer pricing obligations apply to them,⁸ domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises.



- Countries in which domestic related party transactions qualify for the same simplification measures: Austria, Denmark, Estonia, Hungary, Ireland, Mexico, Netherlands, Norway, Poland, Slovenia, Spain, the United Kingdom and the United States

41. In 3 out of 20 countries in which the arm's length principle applies to them, domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises.



- Countries in which domestic related party transactions qualify for additional simplification measures: Israel, Poland and Turkey

⁸ In Finland and Germany, domestic related party transactions are subject to the arm's length principle but not to the same compliance requirements as international transactions. Czech Republic and Luxembourg do not have simplification measures, whether for cross-border or for domestic related party transactions.

ANNEX

COUNTRY RESPONSES RECEIVED

ARGENTINA

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2 References
-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Articles 8, 14, 15, article without numeration added after article 15, 129 and 130 of the Income Tax Law N° 20628
3. 1998

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
-2 If yes, please indicate the scope of each simplification measures.
-3 Qualification
-4 Exception
-5 Type of the simplification measures

No

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. To date there was not evaluated the need for adoption of transfer pricing simplification measures.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

AUSTRALIA

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Division 13 of the Income Tax Assessment Act 1936
3. 1982

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes			
2	Low value-added services	Small transactions	Small transactions	SMEs
3	<p>“Non-core” services: Activities that are not integral to the profit-earning or economically significant activities of the group. They include activities that are supportive of the group’s main business and are generally routine but are not similar to activities by which the group derives its income.</p> <p>“Non-core” services may encompass administrative services, personnel services, management of remuneration schemes and other overhead activities.</p>	<p>De minimis services: The total direct and indirect costs of providing the services is not more than A\$500,000 in the year</p>	<p>The aggregate amount of a taxpayer's transactions or dealings with international related parties (including the value of property transferred or the balance outstanding on any loans) is not greater than A\$1 million</p>	<p>Small businesses and entities with low levels of international related party dealings</p>
4	<p>- financial transactions or the provision of insurance / reinsurance (the practice may, however, apply to the service of arranging external insurance or finance for members of the group)</p> <p>- the supply of equipment or other property for use/ rent, or</p>			

	- research and development activities			
5	Safe harbour arm's length range		Exemption from disclosure requirement	Simplified documentation ⁹

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

	Low value-added services	Small transactions	Small transactions	SMEs
	Safe harbour arm's length range		Exemption from disclosure requirement	Simplified documentation
1	1999		2002	1998
2	Administrative guidance		Regulation	Administrative guidance
3	Taxation Ruling TR1999/1		Tax return	Taxation Ruling TR98/11

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

	Low value-added services	Small transactions	Small transactions	SMEs
	Safe harbour arm's length range		Exemption from disclosure requirement	Simplified documentation
1	Yes		No	No
2	Cost plus method		-	-

⁹ In February 2011, the ATO also released a Practice Statement Law Administration PS LA 2011/1 'The ATO's Advance Pricing Arrangement Program' which includes a new simplified APA product for taxpayers with gross income < AUD250m; or for taxpayers where certain types of related party dealings fall below a specified AUD threshold. This document can be found at http://law.ato.gov.au/pdf/psr/ps11_001.pdf. The Practice Statement also includes a Self Assessment Risk Product for taxpayers to evaluate their own level of transfer pricing risk (<http://law.ato.gov.au/pdf/psr/selfassessmentriskproduct.pdf>)

3	<p>Services acquired from foreign associated enterprises: Transfer prices not more than the lesser of:</p> <ul style="list-style-type: none"> - the actual charge, and - the cost of providing the services plus a mark-up of 7.5-10% is acceptable for services acquired from foreign associated enterprises <p>Services supplied to foreign associated enterprises: Transfer prices not less than the greater of:</p> <ul style="list-style-type: none"> - the actual charge, and - the cost of providing the services plus a mark-up of 5-7.5% are acceptable for services supplied to foreign associated enterprises 	-	-
4	Review of common practice in consultation with industry	-	-
5	No	-	-

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Low value-added services	Small transactions	Small transactions	SMEs
	Safe harbour arm's length range		Exemption from disclosure requirement	Simplified documentation
-	Option		Exclusion	Exclusion

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

	Low value-added services	Small transactions	Small transactions	SMEs
	Safe harbour arm's length range		Exemption from disclosure requirement	Simplified documentation
1	No		Yes	Yes
2	-		No disclosure requirement	<p>Need not create documents beyond the minimum necessary to arrive at arm's length outcomes in the context of business.</p> <p>A less detailed functional analysis, combined with an assessment of any external data available about price and/or performance, provides a greater degree of certainty and a reduced risk of adjustment by the Tax Office.</p>

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Generally, the ATO adopts a risk-based approach to compliance work. Taxpayers with larger, more complex dealings and lower levels of profitability are likely to be at greater risk of transfer pricing review.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No

2. No

3. Anecdotal feedback from taxpayers suggests that the administrative practice on non-core services, in particular, has been very valuable. This practice has also been adopted by another revenue administration.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

AUSTRIA

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 6, subparagraph 6 of the Income Tax Act
3. 1972

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes	
2	Low value-added services	Loans
3	- "Routine" services [Routine functions are functions where assets are involved only on a small scale and where risk taking is only small] - Intra-group ancillary services not being part of the ordinary business of the enterprise	In case of doubt
4		
5	Safe harbour arm's length range	Simplified transfer pricing method

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
1	Introduction with Austrian Transfer Pricing Guidelines 2010, but same treatment before by the way of administrative practice	
2	Administrative guidance	
3	Paragraph 77 and 80 of Austrian Transfer Pricing Guidelines	Paragraph 91 of Austrian Transfer Pricing Guidelines

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)

-2 If yes:

- Please specify what transfer pricing method applies

-3 - and how.

-4 - How and/or on what basis was that transfer pricing method set?

-5 - Has the transfer pricing method been revised since it was introduced?

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
1	Yes	Yes
2	Cost plus method	Transactional profit split method
3	<ul style="list-style-type: none"> - Profit mark-up for routine services may be around 5-15% - Intra-group ancillary services may be charged without a profit mark-up - If only the direct costs (instead of also indirect costs) of the intra-group routine service are available, a mark-up amounting to 5% may be applied without further evidence in order to take into account indirect costs as well 	<ul style="list-style-type: none"> - It might be appropriate to split the margin between the credit interest and the loan interest available in unrelated banking transactions between the related creditor and the debtor
4	Practical experience	Practical experience
5	No	No

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
-	Option	Option

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
1	No	No

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No. There are no specific criteria or thresholds available. The auditor shall exercise an adequate discretionary power in this regard.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
 -2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
 -3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
 - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
 -2 If yes:
 - Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
 -3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

BELGIUM

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 26 of the Income Tax Code 1992
3. 1962

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	Small transactions	SMEs
3	(Threshold is not defined)	As defined under Belgian GAAP and the European Commission's Recommendation of 6 May 2003 on the definition of micro, small and medium-sized companies (2003/361/EC)
4		
5	Simplified documentation	

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Small transactions	SMEs
	Simplified documentation	
1	2006	
2	Administrative guidance	
3	Paragraphs 25 to 28 of Circular letter nr. Ci.RH.421/580.456 (AOIF 40/2006) of 14 November 2006	

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions	SMEs
	Simplified documentation	
-	Option	

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	SMEs
	Simplified documentation	
1	Yes	
2	<p>Excessive requests for documentation have to be avoided. It can thus usefully be mentioned that the appropriateness of asking for certain information has to be assessed in light of the factual circumstances of each case and furthermore that the list of questions has to be adjusted to each case and that sending out general questionnaires has to be avoided.</p> <p>The requested information must consequently be limited to that which is relevant on the basis of the specific characteristics of the enterprise and of the group to which the enterprise belongs.</p> <p>Case by case approach – however with a lighter touch for SME and simple transactions.</p>	

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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Not in principle. However, generally SME (or small groups) do not undergo an in-depth transfer pricing audit although in principle they could undergo such an audit. However, most of the SMEs are not active internationally or have only limited international activities.

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. N/A

2. N/A

3. N/A

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

CANADA

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 247 of the Income Tax Act
3. 1998

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	SMEs	Others
3	Small Business Advance Pricing Arrangement (APA) Program: For taxpayer who has gross revenues of less than C\$50 million or a proposed covered transaction of less than C\$10 million, and - proposes to cover a non-arm's length transaction that involves either the purchase/sale of tangible goods or the provision/receipt of routine services	Transfer pricing penalty provision with a threshold: The penalty does not apply where; i) the transfer pricing adjustments does not exceed the lesser of: - 10% of the taxpayer's gross revenue for the year, and - C\$5 million, and ii) the taxpayer has made reasonable efforts to determine and use arm's length transfer prices
4	Does not address transfers of non-routine intangible property, tangible goods bundled with non-routine intangibles, or complex financial transactions	
5	Simplified APA procedures	Exemption from penalty

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	SMEs	Others
	Simplified APA procedures	Exemption from penalty
1	2005	1998
2	Administrative guidance	Law
3	IC94-4R (Special Release)	Subsection 247(3) of the Income Tax Act

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
 -2 If yes:
 - Please specify what transfer pricing method applies
 -3 - and how.
 -4 - How and/or on what basis was that transfer pricing method set?
 -5 - Has the transfer pricing method been revised since it was introduced?

No

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	SMEs	Others
	Simplified APA procedures	Exemption from penalty
-	Option	Exclusion

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	SMEs	Others
	Simplified APA procedures	Exemption from penalty
1	Yes	Yes
2	- No site visits - Only require a functional analysis - Reduced cost recovery amount - Reduced reporting requirement	No penalty applied

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. N/A
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

CHILE

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2 References
-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 38, paragraph 3 to 8 of the Income Tax Law
3. 1997

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
-2 If yes, please indicate the scope of each simplification measures.
-3 Qualification
-4 Exception
-5 Type of the simplification measures

No

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. Regarding documentation requirements under Chilean transfer pricing rules, taxpayers are only requested to keep a registry available to the tax authority referring to their cross-border controlled transactions as well as any documentation connected to such transactions.

As there is no other specific documentation requirement on transfer pricing which may cause administrative burden for taxpayers, it has not been considered necessary to provide for simplification measures in that regard.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

CZECH REPUBLIC

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2 References
-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 23, paragraph 7 of the Income Taxes Act No. 586/1992 Coll.
3. 1993

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
-2 If yes, please indicate the scope of each simplification measures.
-3 Qualification
-4 Exception
-5 Type of the simplification measures

No

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. In our tax law there is no difference between taxpayers. All are obliged to refer and explain their transactions according to the arm's length principle to the tax authority.

Although there is no specific documentation requirement on transfer pricing in the Czech tax law because of possible administrative burden for taxpayers, taxpayers can use the Recommendation in respect of the scope of transfer pricing documentation issued by the Ministry of Finance as guidance in this field. The tax authority takes circumstances into account case by case.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

- Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
- 2 If yes:
 - Please specify what transfer pricing method applies
 - 3 - and how.
 - 4 - How and/or on what basis was that transfer pricing method set?
 - 5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

- Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
- 2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No, there are no criteria or thresholds.

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
 - 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No, but it could be difficult to solve cases where the simplification measures would not correspond in both countries.

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle?
(Yes/No)

-2 If yes:

- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?

-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes

2. -

3. No

DENMARK

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 2 of the Tax Assessment Act
3. 1998

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes	
2	Small transactions	SMEs
3	Immaterial both in scale and frequency	Groups with: - fewer than 250 employees, and either: - annual balance sheet less than 125 million DKK, or - annual turnover less than 250 million DKK
4		
5	Exemption from documentation requirements	

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Small transactions	SMEs
	Exemption from documentation requirements	
1	2005	
2	Law	
3	Section 3B, paragraph 5 to 6 of the Tax Control Act	

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions	SMEs
	Exemption from documentation requirements	
-	Exclusion	

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	SMEs
	Exemption from documentation requirements	
1	Yes	
2	No documentation requirement	Transfer pricing documentation requirements apply only to the following transactions: - controlled transactions with persons (individuals and legal persons) which are residents of a state without a tax treaty with Denmark and that state is neither an EC-member state or an EEA member state, - controlled transactions with a permanent establishment which is located in a state without a tax treaty with Denmark and that state is neither an EC-member state or an EEA member state, and - controlled transactions with a permanent establishment which is located in Denmark provided that the taxable entity is a resident of a state which does not have a tax treaty with Denmark and that state is neither an EC-member state or an EEA member state

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No, there are no formalised thresholds in the administrative practice.

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. A calculation in 2005 in connection with the creation of the rule showed that more than 30,000 taxpayers were covered by the exemption.
2. No
3. The simplification measure has reached its objective of diminishing compliance burden on the smallest companies, since they are exempt from the documentation requirements. The criteria for the exemption are objective making it easy for businesses to assess whether the simplification applies to them or not.

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

ESTONIA

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 50, subsection 4 of the Income Tax Act
3. 1998

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	SMEs
3	Resident companies and non-resident persons operating in Estonia through a permanent establishment which, considered with related persons: - hire fewer than 250 employees, - had turnover in the financial year preceding the transaction of less than €50 million, and - have consolidated balance sheet total of less than €43 million
4	
5	Exemption from documentation requirements

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate: - When was the simplification measure introduced?
-2	- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	SMEs
	Exemption from documentation requirements
1	2007
2	Regulation
3	Article 18 of the Regulation of the Minister of Finance, Regulation No. 53

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	SMEs
	Exemption from documentation requirements
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	SMEs
	Exemption from documentation requirements
1	Yes
2	No specified transfer pricing documentation requirement

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. The simplification measure has been welcomed by the SMEs.

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

FINLAND

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 31 of Act on Assessment Procedure
3. 1965

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	Small transactions	SMEs
3	The total amount of transactions between two parties during a tax year does not exceed €500,000	Small and medium-sized enterprises as EU definition (2003/361/EC)
4		
5	Simplified documentation	Exemption from documentation requirements

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Small transactions	SMEs
	Simplified documentation	Exemption from documentation requirements
1	2007	
2	Law	
3	Sections 14a to 14c of Act on Assessment Procedure	

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions	SMEs
	Simplified documentation	Exemption from documentation requirements
-	Option	Exclusion

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	SMEs
	Simplified documentation	Exemption from documentation requirements
1	Yes	Yes
2	Less extensive documentation	No documentation requirement

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

Q9-1	- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2	- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, <i>e.g.</i> lost tax revenue and saved enforcement costs?
-3	- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. According to the Business Register of Statistics Finland (statistic information from the year 2008), ninety-nine per cent of all enterprises were small enterprises, *i.e.* employed fewer than 50 persons. The share of medium-size enterprises employing fewer than 250 persons was 0.8 per cent while 0.2 per cent were large enterprises employing more than 250 persons.
2. N/A
3. It is quite clear that the simplification measures that concern the documentation and small-scale transactions have diminished compliance burden.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
 - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
 -2 If yes:
 - Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
 -3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. N/A (TP documentation requirement concerns only dealings with a foreign counterpart)
3. No

FRANCE

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 57 of the General Tax Code
3. 2010 in its present form

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	SMEs	SMEs
3	- Annual turnover or gross balance sheet assets is less than €400 million, and - not belonging to an economic group	Enterprises which: - have fewer than 250 employees and an annual turnover before tax no greater than €50 million or a balance sheet total no greater than €43 million, and [is it a coincidence that this is the same as Estonia?] - do not have 25% or more of their capital or voting rights held by one or more enterprises that do not meet the conditions above
4		
5	Exemption from documentation requirements	Simplified APA procedures

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	SMEs	SMEs
	Exemption from documentation requirements	Simplified APA procedures
1	2010	2006
2	Law	Administrative guidance
3	Article L13 AA of the Manual on Tax Procedures	Administrative Instruction 4 A-13-06

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	SMEs	SMEs
	Exemption from documentation requirements	Simplified APA procedures
-	Exclusion	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	SMEs	SMEs
	Exemption from documentation requirements	Simplified APA procedures
1	Yes	Yes
2	No documentation requirement	<ul style="list-style-type: none"> - Lighten the paperwork required for filing and processing of the request for consent - Assist in the functional analysis and the choice of pricing method to be used - Conduct an experimental basis analysis of external comparability in common databases at the request of the company - Reduce the content of the annual compliance report required to monitor the agreement

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Formally, there is no threshold below which an audit of transfer pricing may not be initiated. In practice, though, the scope of investigations in the field of transfer pricing is proportional to the amounts involved.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. N/A
2. N/A
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. No
3. No

GERMANY

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)

-2 References

-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes, for cross-border transactions with related parties.
2. Section 1 of the Foreign Tax Code
3. 1972

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)

-2 If yes, please indicate the scope of each simplification measures.

-3 Qualification

-4 Exception

-5 Type of the simplification measures

1	Yes			
2	Small transactions	Small transactions	SMEs	Others
3	- Less than €5 million turnover in goods - Less than €500,000 turnover in services			Routine company: - low risk distributor, - low risk manufacturer, and - low risk service provider - contract research and development
4				
5	Reduced APA charge	Simplified documentation		Simplified documentation

Q3-1 Absence of simplification measures

-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:

- When was the simplification measure introduced?

-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)

-3 References

	Small transactions Reduced APA charge	Small transactions Simplified documentation	SMEs	Others Simplified documentation
1	2006	2003		2003
2	Law	Regulation		Administrative guidance
3	Section 178a, paragraph 3 of the Fiscal Code of Germany	Regulation on the Type, Content and Scope of Documentation within the Meaning of Section 90 paragraph 3 of the Fiscal Code of Germany		Administrative principles - procedures

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions Reduced APA charge	Small transactions Simplified documentation	SMEs	Others Simplified documentation
-	Option	Option		Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions Reduced APA charge	Small transactions Simplified documentation	SMEs	Others Simplified documentation
1	Yes	Yes		Yes
2	Reduced amount of fees to be charged	Duty to prepare written documentation is relieved. The taxpayer may provide all information orally and present only available, existing documents.		

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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Besides the simplification measures it should be noted that the constitutional and overriding principle of proportionality has to be respected by the tax administration. The principle of proportionality is part of the risk management of the local tax authorities in planning and executing a tax audit. This means that, depending on the facts and circumstances of each individual case, an examination of transfer prices should not be undertaken in minor cases and minor adjustments should be avoided. But there are no fixed thresholds.

The principle of proportionality is part of the principle of investigation in Section 88 of the Fiscal Code of Germany.

- | | |
|------|--|
| Q9-1 | - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures? |
| -2 | - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs? |
| -3 | - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden? |

1. No
2. N/A
3. N/A

- | | |
|-----|---|
| Q10 | - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)? |
| | - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure? |

No

- | | |
|-------|--|
| Q11-1 | Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No) |
| -2 | If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises? |
| -3 | - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises? |

1. Yes (if a domestic transaction leads to a hidden profit distribution)
2. N/A (The standard documentation requirements do not apply to domestic transactions.)
3. No

HUNGARY

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 18, paragraph (1) of Act LXXXI of 1996 on Corporate Tax and Dividend Tax
3. 1992

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes				
2	Small transactions	SMEs	SMEs	Others	Others
3	Turnover based on agreements does not exceed HUF 50 million at arm's length price (excluding VAT) in the period from the signing of the agreement to the last day of the fiscal year	<p>- SMEs in an unprivileged market position due to their size, who establish affiliated companies for the purpose of joint purchases and sales (certain retail entities)</p> <p>[SMEs: An enterprise which: - employs fewer than 250 persons, and - has annual turnover not exceeding the HUF equivalent of 50 million Euros and/or annual balance sheet total not exceeding the HUF equivalent of 43 million Euros]</p>	<p>Small enterprise: An enterprise which: - employs fewer than 50 persons, and - has annual turnover and/or annual balance sheet total which does not exceed the HUF equivalent of 10 million Euros</p> <p>Micro enterprise: An enterprise which: - employs fewer than 10 persons, and - has annual turnover and/or annual balance sheet total which does not exceed the HUF equivalent of 2 million Euros</p>	<p>- Public-benefit and priority public-benefit non-profit business associations</p> <p>- Taxpayers in which the state directly or indirectly has majority control</p>	<p>- Taxpayers on their agreement concluded with an individual as other than a sole entrepreneur</p> <p>- Transactions conducted on the stock exchange or at an officially set price (with the exception of cases involving insider trading, unfair manipulation</p>

					of prices, or of prices applied violating the laws)
4		The following enterprise shall not be classified as a SME: - Any enterprise in which the state or any local self-government holds, either directly or indirectly and either solely or jointly, 25 percent or more of the capital or voting rights			
5	Simplified documentation	Exemption from transfer pricing adjustment	Exemption from documentation requirements		

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

	Small transactions	SMEs	SMEs	Others	Others
	Simplified documentation	Exemption from transfer pricing adjustment	Exemption from documentation requirements		
1	2004	2004			2004
2	Regulation	Law			Regulation
3	Article 6, paragraph (1) of Decree of Minister of Finance no.22/2009 (X.16.)	Article 18, paragraph (3) of Act LXXXI of 1996 on Corporate Tax and Dividend Tax	Article 18, paragraph (5) of Act LXXXI of 1996 on Corporate Tax and Dividend Tax	Article 1, paragraph (3) a) and (4) of Decree of Minister of Finance no.22/2009 (X.16.)	

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
 -2 If yes:
 - Please specify what transfer pricing method applies
 -3 - and how.
 -4 - How and/or on what basis was that transfer pricing method set?
 -5 - Has the transfer pricing method been revised since it was introduced?

No

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Small transactions	SMEs	SMEs	Others	Others
	Simplified documentation	Exemption from transfer pricing adjustment	Exemption from documentation requirements		
-	Option	Exclusion	Exclusion		

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	SMEs	SMEs	Others	Others
	Simplified documentation	Exemption from transfer pricing adjustment	Exemption from documentation requirements		
1	Yes	Yes	Yes		
2	No benchmarking required	No benchmarking required	No documentation requirement		

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
 -2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
 -3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. The simplified documentation and the possibility of preparing documentation in a foreign language are welcomed by the business community.

Q10	- Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)? - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?
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No

Q11-1	Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2	If yes: - Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3	- Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

INDIA

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Sections 92 to 92F of the Income Tax Act, 1961
 Rules 10A to 10E of the Income Tax Rules, 1962
3. 2002

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes		
2	Small transactions	Others	Others
3	Aggregate value of international transactions does not exceed 10 million INR	International transactions which continue to have effect over more than one previous year	The difference between the arm's length price and the transfer price does not exceed such percentage as may be notified by Government in this behalf of the latter
4		There is no significant change in facts	
5	Exemption from documentation requirements	Simplified documentation	Exemption from transfer pricing adjustment

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Small transactions	Others	Others
	Exemption from documentation requirements	Simplified documentation	Exemption from transfer pricing adjustment
1	2002	2002	2002
2	Regulation		Law
3	Rule 10D(2) of the Income Tax Rules, 1962	Rule 10D(4) of the Income Tax Rules, 1962	Section 92C(2) of the Income Tax Act, 1961

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions	Others	Others
	Exemption from documentation requirements	Simplified documentation	Exemption from transfer pricing adjustment
-	Option	Exclusion	Exclusion

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	Others	Others
	Exemption from documentation requirements	Simplified documentation	Exemption from transfer pricing adjustment
1	Yes	Yes	Yes
2	No documentation requirement (Not subject to penalty)	Fresh documentation need not be maintained separately in respect of each previous year	The transfer price shall be deemed to be the arm's length price

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Yes

Presently taxpayers having aggregate international transactions of less than 150 million INR are normally not audited for transfer pricing purposes. Initially the threshold limit was 50 million INR.

This limit has been fixed by way of internal instruction issued by the CBDT.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No

2. No

3. The simplification measures along with the threshold limit of 50/150 million INR have helped taxpayers in diminishing their compliance burden.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

IRELAND

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Part 35A of the Taxes Consolidation Act 1997
3. 2010

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	SMEs
3	Small and medium enterprises as defined in the Annex to European Commission recommendation 2003/361/EC of 6 May 2003
4	
5	Exemption from transfer pricing rules ¹⁰

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

¹⁰ However, the arm's length principle which is part of general tax law such as, for instance, "wholly and exclusively" test in Section 81(2)(a) of the Taxes Consolidation Act 1997 which denies a deduction for an amount of a payment between connected parties in excess of the arm's length amount, continues to apply.

	SMEs
	Exemption from transfer pricing rules
1	2010
2	Law
3	Section 835E of the Taxes Consolidation Act 1997

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	SMEs
	Exemption from transfer pricing rules
-	Exclusion

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	SMEs
	Exemption from transfer pricing rules
1	Yes
2	Transfer pricing rules do not apply

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

4. No
5. No
6. Yes. it diminishes the compliance burden for SME's.

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

7. Yes
8. Yes
9. No

ISRAEL

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 85A of the Income Tax Ordinance
3. 2006

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Others
3	<p>“One-time transaction”: An international transaction that is characterised by having very low frequency and of low volume both on an absolute basis and a relative basis, when compared to other transactions made by the taxpayer;</p> <p>“Low volume” is considered an amount that satisfies both of the following conditions: - The sum does not exceed 10 percent of the total income of the taxpayer from the same area (<i>e.g.</i> business, interest income, etc.) from parties that have no “special relation” - The sum is no greater than 4 million New Israeli Shekel (approximately 1M\$)</p>
4	
5	Simplified documentation

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	<p>- When was the simplification measure introduced?</p> <p>- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)</p>
-3	References

	Others
	Simplified documentation
1	2006
2	Regulation
3	Income Tax Regulations (Determination of Market Conditions), Reg. number 4

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Others
	Simplified documentation
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Others
	Simplified documentation
1	Yes
2	A full transfer pricing study (a survey of market conditions) does not need to be performed for a qualified transaction that has been approved as such by a tax assessment office.

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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Yes

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. Yes
2. No
3. N/A

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. No
3. Section 3(j) of the Income Tax Ordinance provides a simplification measure for local inter-company loan by setting an interest rate that is updated in the end of each year.

ITALY

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 110, paragraph 7 of the Consolidated Tax Code
3. 1986

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	SMEs
3	Total turnover or revenue does not exceed 50 million Euros
4	
5	Simplified documentation

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	SMEs
	Simplified documentation
1	2010
2	Law
3	Article 26 of the law decree No. 78 of May 31, 2010

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	SMEs
	Simplified documentation
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	SMEs
	Simplified documentation
1	Yes
2	With respect to the two taxable periods following the one the prepared transfer pricing documentation relates to, SMEs are not required to update the benchmark analysis in case the comparability analysis is based on publicly available information sources and insofar as the comparability factors do not incur substantial changes during the above mentioned taxable periods.

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

Q9-1	- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2	- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3	- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. N/A

<p>Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?</p> <p>- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?</p>

No

<p>Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)</p> <p>-2 If yes:</p> <p>- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?</p> <p>-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?</p>
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No

JAPAN

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 66-4 of the Special Taxation Measures Law (in relation to Corporation Tax Law)
3. 1986

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	Low value-added services	Loans
3	Service transactions between associated enterprises rendered or provided accompanying original business activities of such enterprises, for which comparable transactions both internal and external cannot be found	Transactions of lending and borrowing money between associated enterprises except for financial institutions, for which comparable transactions both internal and external cannot be found
4		
5	Simplified transfer pricing method	Simplified transfer pricing method

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Low value-added services	Loans
	Simplified transfer pricing method	Simplified transfer pricing method
1	2001	
2	Administrative guidance	
3	Article 2-7 and 2-10 of the Commissioner's Directive on the Operation of Transfer Pricing	

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes: - Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

	Low value-added services	Loans
	Simplified transfer pricing method	Simplified transfer pricing method
1	Yes	Yes
2	Cost plus method	CUP
3	The total amount of the cost for providing the services is deemed to be an arm's length price	It is permitted to deem the interest rate calculated as follows as the arm's length interest rate: - the interest rate that would normally be applied to a loan, assuming that the lender of the foreign affiliated transaction borrowed from a non-affiliated bank under similar conditions in terms of currency, borrowing date and borrowing period, or - the interest rate that would normally be earned on the funds involved in the foreign affiliated transaction, assuming that they were invested in government securities or the like under similar conditions in terms of currency, transaction date and transaction period (excluding cases where the interest rate listed above is applicable)
4		
5	No	No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Low value-added services	Loans
	Simplified transfer pricing method	Simplified transfer pricing method
-	Option	Option

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

No

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No

2. No

3. Our simplification measures contribute not only to implement efficient administration for tax authorities but also to increase certainty and to minimize the compliance burden for both taxpayers and tax authorities.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

KOREA

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2 References
-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 4 of the Law for the Coordination of International Tax Affairs (LCITA)
3. 1995

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
-2 If yes, please indicate the scope of each simplification measures.
-3 Qualification
-4 Exception
-5 Type of the simplification measures

No¹¹

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. N/A

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

¹¹ There is a provision in the LCITA in which a qualified taxpayer is not required to attach a certain schedule to its tax return by which a taxpayer does not need to disclose its transfer pricing method and reasons for adopting that particular method to the tax authority at the time of filing a tax return. This treatment is available in following cases:

- If the total amount of international transactions of goods and that of international transactions of services of the taxpayer for the taxable year concerned is 5 billion won or less and 500 million won or less, respectively; or
- If, for each foreign associated company, the amount of international transactions of goods and that of international transactions of services of the taxpayer for the taxable year concerned is 1 billion won or less and 100 million won or less, respectively.

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

LUXEMBOURG

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2 References
-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 164, section 3 of the Income Tax Law
3. 1969

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
-2 If yes, please indicate the scope of each simplification measures.
-3 Qualification
-4 Exception
-5 Type of the simplification measures

No

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. N/A

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. -
3. No

MEXICO

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Articles 86-XII, 86-XV, 106 and 215 of the Income Tax Law
Article 18-III of the Flat Tax Law
3. 1997

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes			
2	SMEs	SMEs	Others	Others
3	Small individual taxpayers: - with business activities to sell or render services to the general public, and - whose income from business activities and interest does not exceed 2 million pesos (\$161,500)	Corporations: - revenue in the preceding fiscal year did not exceed 13 million pesos (about \$1,040,000), and - revenue in the preceding fiscal year from the rendering of professional services did not exceed 3 million pesos (about \$240,000) Individuals: - revenue in the preceding fiscal year did not exceed 13 million pesos (about \$1,040,000)	Foreign resident owners of maquiladoras	Taxpayers who are required to file the statutory audit report (Dictamen Fiscal)
4		Transactions between residents of Mexico and companies or entities located or resident in territories with preferential regimes		
5	Exemption from transfer pricing rules	Exemption from documentation requirements	Safe harbour arm's length range	Simplified documentation

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced?
-2	- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	SMEs	SMEs	Others	Others
	Exemption from transfer pricing rules	Exemption from documentation requirements	Safe harbour arm's length range	Simplified documentation
1	2002		1994	2010
2	Law		Law	Regulation
3	Article 106 of the Income Tax Law	Article 86-XII, 2nd paragraph of the Income Tax Law Article 133-XI of the Income Tax Law	Article 216 Bis of the Income Tax Law	Presidential Decree, released in June 2010

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
-3	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

	SMEs	SMEs	Others	Others
	Exemption from transfer pricing rules	Exemption from documentation requirements	Safe harbour arm's length range	Simplified documentation
1	No	No	Yes	No
2	-	-	Transactional net margin method	-
3	-	-	Maquiladoras must declare a taxable profit representing the greater of: - 6.5% of total costs and expenses (cost base), or - 6.9% of maquiladora assets (asset base) used in the maquiladora operation (including assets owned by foreign residents or related parties)	-
4	-	-	A settlement was made with foreign tax authorities.	-
5	-	-	The PLI has been revised once from 5% of all assets (including foreign-owned) to a scheme to assign the greater of 6.5% of total costs and expenses (cost base) or 6.9% of maquiladora assets (asset base) used in the maquiladora operation (including assets owned by foreign residents or related parties).	-

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	SMEs	SMEs	Others	Others
	Exemption from transfer pricing rules	Exemption from documentation requirements	Safe harbour arm's length range	Simplified documentation
-	Exclusion	Exclusion	Option	Option

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	SMEs	SMEs	Others	Others
	Exemption from transfer pricing rules	Exemption from documentation requirements	Safe harbour arm's length range	Simplified documentation
1	Yes	Yes	Yes	Yes
2	Transfer pricing rules do not apply	No documentation requirement	No documentation requirement (An advise must be filed to authorities regarding the adherence to the measure)	- The requirement to file the statutory audit report (Dictamen Fiscal) is waived - No requirement to file the transfer pricing questionnaire fulfilled by a Mexican CPA

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

N/A

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
 -2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
 -3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. N/A
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle?
(Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes

2. Yes

3. No

NETHERLANDS

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 8b, paragraph 1 of the Corporate Income Tax Law
3. 2002

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes	
2	SMEs	Low value-added services
3	- Fiscal balance total is less than €5 million, and - Less than 50 employees (average)	“Support” services: In general, services with respect to bookkeeping, legal affairs, tax matters and personnel.
4		Where, - activities are rendered that make up or which add more than marginal value to the primary business operations, or - the respective services are performed on behalf of non-associated parties on more than an incidental basis
5	Simplified APA procedures	Simplified transfer pricing method

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	SMEs	Low value-added services
	Simplified APA procedures	Simplified transfer pricing method
1	2004	2004
2	Administrative guidance	Administrative guidance
3	APA Decree IFZ 2004/124M	Paragraph 2 of the Decision of 21 August 2004, No. IFZ2004/680M

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

	SMEs	Low value-added services
	Simplified APA procedures	Simplified transfer pricing method
1	No	Yes
2	-	Cost plus method
3	-	At the taxpayer's advance request, all relevant actual costs instead of an arm's length consideration can be charged for support services
4	-	
5	-	

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	SMEs	Low value-added services
	Simplified APA procedures	Simplified transfer pricing method
-	Option	Option

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

	SMEs	Low value-added services
	Simplified APA procedures	Simplified transfer pricing method
1	Yes	No
2	Can apply for assistance from the tax administration for a search for comparables	-

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No, other than mentioned in reply to previous questions.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No (No formal assessment, but generally understood to be very little lost in tax revenue but a significant saving made in compliance costs.)
3. Yes

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

NEW ZEALAND

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
 -2 References
 -3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section GC 6 to 14 of the Income Tax Act 2007
3. 1997

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)
 -2 If yes, please indicate the scope of each simplification measures.
 -3 Qualification
 -4 Exception
 -5 Type of the simplification measures

1	Yes	
2	Low value-added services	Loans
3	- Non-core services (relating to activities that are not integral to the profit-earning or economically significant activities of the group) - Services with costs below a de minimis threshold of NZ\$600,000	Low value loans with a principal less than NZ\$2 million
4		
5	Safe harbour arm's length range	Simplified transfer pricing method

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
1	2000	2008
2	Administrative guidance	Administrative guidance
3	Paragraphs 557 to 567 of Inland Revenue Transfer Pricing Guidelines	Practice Issues - Financing Costs

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
1	Yes	Yes
2	Cost plus method	CUP
3	Transfer prices not more than the lesser of: - the actual charge, and - the cost of providing the services plus a mark-up of 7.5-10% are acceptable for services acquired from foreign associated enterprises Transfer prices not less than the greater of: - the actual charge, and - the cost of providing the services plus a mark-up of 5-7.5% are acceptable for services supplied to foreign associated enterprises	300 basis points (3%) over the relevant base indicator is considered to be broadly indicative of an arm's length rate, in the absence of a readily available market rate for a debt instrument with similar terms and risk characteristics
4	Wide-ranging review of prevailing practices and mark-ups	Benchmarking of BBB rated loans (the credit rating for most international groups operating in New Zealand)
5	No	No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Low value-added services	Loans
	Safe harbour arm's length range	Simplified transfer pricing method
-	Option	Option

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

No

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

The tax authority may allocate resources to audit activities in terms of tax at risk. There are no set criteria or thresholds other than the exercise of care and management.

An interpretative statement on “care and management” is publicly released.

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No (No formal assessment, but generally understood to be very little lost in tax revenue but a significant saving made in compliance costs.)
3. Yes - very effective

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country’s simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country’s simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm’s length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

NORWAY

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 13-1 of the Tax Act
3. 1911

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes	
2	Small transactions	SMEs
3	<ul style="list-style-type: none"> - Transactions which take place on a stand-alone basis, are of limited economic significance and do not form part of the core business of the enterprise - Enterprises which have controlled transactions with an aggregate fair value of less than 10 million kroner during the tax year, and have accounts outstanding with associated companies or entities in an amount of less than 25 million kroner as per the end of the tax year 	<ul style="list-style-type: none"> Enterprises which, together with associated enterprises: <ul style="list-style-type: none"> - have fewer than 250 employees, and either: <ul style="list-style-type: none"> - sales income not exceeding 400 million kroner, or - total assets not exceeding 350 million kroner
4		<ul style="list-style-type: none"> Not apply to: <ul style="list-style-type: none"> - enterprises which are liable to pay special tax according to the Petroleum Taxation Act., and - controlled transactions entered into with an associated enterprise which is resident in a state from which Norway cannot demand information concerning the income and wealth of such other contracting party pursuant to an international law agreement
5	Exemption from documentation requirements	

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Small transactions	SMEs
	Exemption from documentation requirements	
1	2008	
2	Law	
3	Section 4-12 of the Tax Administration Act	

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
 -2 If yes:
 - Please specify what transfer pricing method applies
 -3 - and how.
 -4 - How and/or on what basis was that transfer pricing method set?
 -5 - Has the transfer pricing method been revised since it was introduced?

No

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Small transactions	SMEs
	Exemption from documentation requirements	
-	Exclusion	

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	SMEs
	Exemption from documentation requirements	
1	Yes	
2	No documentation requirement	

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

POLAND

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 11 of the Corporate Income Tax Act (respectively Art. 25 of the Personal Income Tax Act)
3. 1993

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Small transactions
3	The total amount (or its equivalent) resulting from the contract or the total amount, actually paid in a tax year, of performances enforceable in the tax year is lower than the equivalent of: - €100,000 if the value of the transaction does not exceed 20% of the initial capital, - €30,000 in the case of performance of services, sale or making available intangible assets and legal values; - €50,000 in the remaining cases
4	Transactions in relation to which the payment of sums due as a result of such transactions are made directly or indirectly for the benefit of an entity having its place of residence, seat or board of management within a territory of or in a country admitting detrimental tax competition if the total amount (or its equivalent) resulting from the contract or the total amount, actually paid in a tax year, of performances enforceable in the tax year is higher than the equivalent of €20,000
5	Exemption from documentation requirements

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate: - When was the simplification measure introduced?
-2	- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Small transactions
	Exemption from documentation requirements
1	2001
2	Law
3	Article 9a of the Corporate Income Tax Law (respectively Art. 25a of the Personal Income Tax Law)

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions
	Exemption from documentation requirements
-	Exclusion

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions
	Exemption from documentation requirements
1	Yes
2	No documentation requirement

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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Q9-1	- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2	- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, <i>e.g.</i> lost tax revenue and saved enforcement costs?
-3	- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle?
(Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes

2. Yes

3. Yes

SLOVENIA

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Articles 16 to 19 of the Corporate Income Tax Act (CITA-2)
3. 2005

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Loans
3	Interest is in line with the "tax-recognised interest rate" published by the Ministry of Finance prior to the beginning of the tax period to which it applies
4	
5	Safe harbour interest rate

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Loans
	Safe harbour interest rate
1	2005 (In 2007 it was modified - calculation of the "tax recognised interest rate" has changed)
2	Law
3	Article 19 of the Corporate Income Tax Act

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Loans
	Safe harbour interest rate
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Loans
	Safe harbour interest rate
1	Yes
2	Interest is recognised as arm’s length for tax purposes if it is in line with the “tax-recognised interest rate” published by the Ministry of Finance prior to the beginning of the tax period to which it applies, considering the fact that the interest rate in question has been or would have been agreed in the market between non-related parties. If the taxpayer interest rate is not in line with the tax-recognised interest rate then the taxpayer has the possibility to prove that the interest rate used is generally in line with the ALP.

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

Q9-1	- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2	- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
-3	- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. Yes
2. To some extent - Yes
3. We are of the opinion that the recognised interest rate achieved its objectives - diminished compliance burden and increased certainty for taxpayers that provide or obtain loans to or from related companies. The business community has accepted the recognised interest rate rule and we have not received proposals to amend (or abolish) this rule.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
 - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
 -2 If yes:
 - Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
 -3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. The arm's length principle among domestic related parties is used only in following cases:
 - If one of the domestic related parties in the tax period for which revenue and expenses are established discloses an uncovered tax loss carried forward from previous tax periods; or
 - If one of the domestic related parties pays tax at a 0% rate or at a special rate, lower than the general tax rate in CITA-2; or
 - If one of the domestic related parties is exempt from paying tax under CITA-2.

The arm's length principle among domestic related parties is more an anti-avoidance issue than a transfer pricing issue.

2. Yes
3. No

SOUTH AFRICA

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 31 of the Income Tax Act 58 of 1962
3. 1995

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Loans
3	Intra-group cross-border loans (Inbound)
4	
5	Safe harbour interest rate

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced?
-3	- Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Loans
	Safe harbour interest rate
1	1996
2	Administrative guidance
3	Practice Note 2 ¹²

¹² As of 1 October 2011 a revised section 31 of the Income Tax Act comes into effect. Practice Note 2 is also currently being rewritten as a new Interpretation Note to support the revised legislation.

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes: - Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Loans
	Safe harbour interest rate
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Loans
	Safe harbour interest rate
1	Yes
2	An interest payment of prime plus 2% for South African Rand (ZAR) denominated loans and LIBOR plus 2% for foreign denominated loans are allowed.

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No

Q9-1	- Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2	- Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, <i>e.g.</i> lost tax revenue and saved enforcement costs?
-3	- Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No. It is however considered that the majority of taxpayers will tend to stay within the parameters of the Practice note.
2. No
3. The business community has never been formally engaged but informal feedback is that the administrative practice adopted does provide certainty and does alleviate certain compliance costs.

Q10	- Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)? - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?
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No

Q11-1	Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2	If yes: - Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3	- Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

SPAIN

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 16, paragraph 2 of the Corporate Income Tax Law
3. 1978

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes		
2	Small transactions	Others	SMEs
3	The total amount of related transaction is less than: - €250,000, or - €100,000 when taxpayer's turnover is less than €10 million (SME)	Transactions: - between entities within the scope of the tax consolidation regime regulated in Chapter VII, Title VII of the Corporate Tax Law - between the so called "Economic Interest Association" (AIE: specific associations sharing economic interests) or "Temporary Consortiums" (UTEs) and their members or other entities participating in the same tax consolidation group - performed in the context of public share offerings or takeover bids - performed between credit institutions meeting the requirements approved by the Bank of Spain	Turnover is less than €10 million
4	There are some exceptions		
5	Exemption from documentation requirements		Simplified documentation Alleviated penalties

Q3-1 Absence of simplification measures
 -2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
 - When was the simplification measure introduced?
 -2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
 (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
 -3 References

	Small transactions	Others	SMEs
	Exemption from documentation requirements	Simplified documentation	Alleviated penalties
1	2009		
2	Law (Total transactions less than €100,000 when taxpayer is an SME) Regulation (Total transactions less than €250,000)	Regulation	Law
3	Article 16 of the Corporate Income Tax Law Article 18 of the Corporate Income Tax Regulation	Article 18 of the Corporate Income Tax Regulation	Article 16 of the Corporate Income Tax Law

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
 -2 If yes:
 - Please specify what transfer pricing method applies
 -3 - and how.
 -4 - How and/or on what basis was that transfer pricing method set?
 -5 - Has the transfer pricing method been revised since it was introduced?

No

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Small transactions	Others	SMEs
	Exemption from documentation requirements	Simplified documentation	Alleviated penalties
-	Exclusion	Option	Exclusion

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
 -2 If yes, please describe how they are alleviated through the simplification measures.

	Small transactions	Others	SMEs
	Exemption from documentation requirements		Simplified documentation
	Alleviated penalties		
1	Yes		Yes
2	No documentation requirement		<ul style="list-style-type: none"> - Required (only) to identify other party of the transaction, the method and the range of values used - No documentation obligation at the group level
			Final amount of the penalty is limited to the smaller of: <ul style="list-style-type: none"> - 10% of their total amount of related transactions, or - 1% of the enterprise net turnover

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

No

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
 -2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs?
 -3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No
2. No
3. N/A

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
 - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle?
(Yes/No)

-2 If yes:

- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?

-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes

2. Yes

3. No

SWEDEN

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Chapter 14, section 19 of the Income Tax Act
3. 1928

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Small transactions
3	Intra-group transactions of minor value: "Transactions of minor value" refers to: - transactions with goods where the total market value does not exceed 630 "base amounts" (approx. €2.5 million) per enterprise within the enterprise group, or - other transactions (<i>e.g.</i> services and loans) where the total market value does not exceed 125 "base amounts" (approx. €500,000) per enterprise within the enterprise group
4	Not applicable to transactions which involve sale and purchase of intangible property
5	Simplified documentation

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Small transactions
	Simplified documentation
1	2007
2	Regulation
3	Section 10 of Swedish Tax Agency's regulations on documentation of transfer pricing between associated enterprises

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Small transactions
	Simplified documentation
-	Option

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Small transactions
	Simplified documentation
1	Yes
2	<p>- In-depth information is not required, <i>i.e.</i> it is on a more general level</p> <p>- A full comparability analysis is not required if it has not been prepared, however, a general explanation is recommended</p> <p>The simplified documentation shall contain a description of:</p> <ul style="list-style-type: none"> - the legal structure of the enterprise group as well as the business structure and the business of the enterprise and the enterprise group, - the counterparty in the intra-group transaction and information about its business, - the transactions in question, stating the type, scope and value, - the method used to establish that the transfer pricing of the intra-group transactions is on an arm's length basis, and - any comparable transactions that may have been used.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

In general, Sweden does not make “minor” (depends of the size of the company) adjustments (unless it is a matter of important principle).

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. No

2. No

3. The Swedish Tax Agency has not measured the outcome, but has experienced that some of the companies concerned are pleased with the simplified rules.

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country’s simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country’s simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm’s length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No

SWITZERLAND

Q1-1 Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)

-2 References

-3 If yes, please indicate the year when this obligation was introduced in the legislation.

1. The Swiss Legislation provides for the arm's length principle in article 58 of Federal Direct Tax Law of December 14, 1990 even though it does not use exactly the expression arm's length principle.
2. Article 58 of Federal Direct Tax Law of December 14, 1990
3. 1940

Q2-1 Does your country have transfer pricing simplification measures in place? (Yes / No)

-2 If yes, please indicate the scope of each simplification measures.

-3 Qualification

-4 Exception

-5 Type of the simplification measures

No

Q3-1 Absence of simplification measures

-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

1. Yes
2. They were simply been deemed unnecessary.

Q4-1 For transfer pricing simplification measures in place, please indicate:

- When was the simplification measure introduced?

-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.

(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)

-3 References

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)

-2 If yes:

- Please specify what transfer pricing method applies

-3 - and how.

-4 - How and/or on what basis was that transfer pricing method set?

-5 - Has the transfer pricing method been revised since it was introduced?

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

Q8 Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?

Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
-2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
-3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
-2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
-3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

No. For intercantonal profit allocation between associated companies the Swiss High Court has defined specific rules. These rules do not necessarily comply with the arm's length principle.

TURKEY

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Article 13 of the Corporate Income Tax Law
3. 2007

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	Others
3	“Personal income taxpayers”: Taxpayers keeping their books on balance sheet basis or operating account basis (Article 41 of the Personal Income Tax Law)
4	
5	Exemption from documentation requirements

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	Others
	Exemption from documentation requirements
1	2007
2	Regulation
3	Cabinet decree and general communiqué

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	Others
	Exemption from documentation requirements
-	Exclusion

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	Others
	Exemption from documentation requirements
1	Yes (Although the simplification measures alleviate documentation requirements, they do not alleviate penalties, and/or other compliance burdens.)
2	Exemption from documentation requirements, such as submitting a Transfer Pricing Form as an attachment to personal income tax return and preparing an Annual Transfer Pricing Report for their domestic and cross-border transactions with related parties.

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No (There are no specific criteria or thresholds available in the administrative practices. However, cross-border transactions between associated enterprises are potentially under the risk of transfer pricing examinations.)

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. N/A
2. N/A
3. N/A

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. No (In principle, both personal and corporate income taxpayers are within the scope of transfer pricing legislation for their domestic and cross-border transactions with related parties. However, as mentioned above as a response to Q-2, personal income taxpayers are only exempted from documentation requirements. In this respect, there are no simplification measures for corporate taxpayers in terms of cross-border transactions with related parties.)
3. Partly Yes (While corporate taxpayers registered with Large Taxpayers Office must prepare an Annual Transfer Pricing Report for both their domestic and cross-border transactions with related parties in a fiscal year, corporate taxpayers other than large taxpayers must prepare an Annual Transfer Pricing Report for only their cross-border transactions with related parties.)

UNITED KINGDOM

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. Yes
2. Section 147 of the Taxation (International and other provisions) Act 2010
3. 1915

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes
2	SMEs
3	Small and medium enterprises defined in the Annex to European Commission recommendation 2003/361/EC of 6 May 2003
4	
5	Exemption from transfer pricing rules

Q3-1	Absence of simplification measures
-2	If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1	For transfer pricing simplification measures in place, please indicate:
-2	- When was the simplification measure introduced? - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority. (Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3	References

	SMEs
	Exemption from transfer pricing rules
1	2004
2	Law
3	Section 166 of the Taxation (International and other provisions) Act 2010

Q5-1	Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2	If yes:
	- Please specify what transfer pricing method applies
-3	- and how.
-4	- How and/or on what basis was that transfer pricing method set?
-5	- Has the transfer pricing method been revised since it was introduced?

No

Q6	Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)
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	SMEs
	Exemption from transfer pricing rules
-	Exclusion
	[The simplification measure of exempting small and medium-sized enterprises from the basic transfer pricing rule is an exclusion in the first instance - <i>i.e.</i> it applies to all qualifying persons automatically without the need for an election. However: - The taxpayer may make an (irrevocable) election for the exclusion not to apply and hence for the basic transfer pricing rule to apply. - The Board of HMRC may give notice to a medium-sized enterprise (but NOT to a small-sized enterprise) that would otherwise qualify for the exclusion that the basic transfer pricing rule will apply.]

Q7-1	Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2	If yes, please describe how they are alleviated through the simplification measures.

	SMEs
	Exemption from transfer pricing rules
1	Yes
2	Transfer pricing rules do not apply

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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No (Although a general assessment of the transfer pricing risks of an MNE will include a consideration of the level of controlled transactions and hence tax at risk)

- Q9-1 - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures?
- 2 - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, *e.g.* lost tax revenue and saved enforcement costs?
- 3 - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden?

1. N/A
2. N/A
3. Yes, the measure achieves both increased certainty and a reduced compliance burden for taxpayers.

- Q10 - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)?
- Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure?

No

- Q11-1 Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No)
- 2 If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises?
- 3 - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises?

1. Yes
2. Yes
3. No

UNITED STATES

Q1-1	Does the legislation in your country establish a general obligation to comply with the arm's length principle? (Yes / No)
-2	References
-3	If yes, please indicate the year when this obligation was introduced in the legislation.

1. The governing statute, 26 U.S.C. Section 482, does not explicitly mention the arm's length principle. It contains the broader requirement that the Commissioner may allocate items of income and loss between commonly owned or controlled taxpayers in order to clearly reflect income or prevent tax avoidance. However, the Commissioner has issued extensive regulations under Section 482, which establish the arm's length principle as the standard for transfer pricing adjustments.
2. Section 482 of the Internal Revenue Code
Treasury Regulation Section 1.482-1(b)(1)
3. 1935

Q2-1	Does your country have transfer pricing simplification measures in place? (Yes / No)
-2	If yes, please indicate the scope of each simplification measures.
-3	Qualification
-4	Exception
-5	Type of the simplification measures

1	Yes			
2	Loans	Low value-added services	Small transactions	SMEs
3	Loans between associated enterprises	Low margin services: - Services that have a median comparable mark-up of 7% or less or are listed in Rev. Proc. 2007-13, - Services that are not listed as excluded activities, - Services that do not contribute significantly to key competitive advantages, core capabilities, or fundamental risks of success or failure, and - Services for which certain documentation requirements are met	Transactions potentially covered by an APA that, in the aggregate, have a value no greater than \$50 million annually (or \$10 million in the case of intangible property)	Taxpayers potentially undertaking an APA with gross income of \$200 million or less
4	Not available to taxpayers that are in the business of making loans or for			

	loans that are expressed in a foreign currency		
5	Safe harbour interest rate	Simplified transfer pricing method: Services Cost Method (SCM), and associated Shared Services Arrangement (SSA) for SCM transactions	Simplified APA procedures

Q3-1 Absence of simplification measures
-2 If there are no transfer pricing simplification measures in place, please indicate the reasons for the absence.

Q4-1 For transfer pricing simplification measures in place, please indicate:
- When was the simplification measure introduced?
-2 - Was it introduced in the law, in regulations or in administrative guidance? Please indicate only the highest authority.
(Regulation = secondary legislation, Administrative guidance = other than Law and Regulations)
-3 References

	Loans	Low value-added services	Small transactions	SMEs
	Safe harbour interest rate	Simplified transfer pricing method: Services Cost Method (SCM), and associated Shared Services Arrangement (SSA) for SCM transactions	Simplified APA procedures	
1	The original version of the rule was finalized in 1968 and was modified several times over the years. The current version of the rule has been unchanged since 1994.	The predecessor of the SCM was established in 1968 but was revised materially in 2006.	1996	
2	Regulation	Regulation	Administrative guidance	
3	Treasury Regulation Section 1.482-2(a)(2)(iii)	Treasury Regulation Section 1.482-9	Revenue Procedure 2006-9	

Q5-1 Does the simplification measure involve a specific transfer pricing method? (Yes / No)
-2 If yes:
- Please specify what transfer pricing method applies
-3 - and how.
-4 - How and/or on what basis was that transfer pricing method set?
-5 - Has the transfer pricing method been revised since it was introduced?

	Loans	Low value-added services	Small transactions	SMEs
	Safe harbour interest rate	Simplified transfer pricing method: Services Cost Method (SCM), and associated Shared Services Arrangement (SSA) for SCM transactions	Simplified APA procedures	
1	No	Yes	No	
2	-	Services cost method (SCM) and associated Shared Services Arrangement (SSA)	-	
3	-	<p>Services cost method (SCM): Taxpayers may choose to price the services at cost rather than the actual arm's length price. Cost reimbursement is deemed the arm's length price if the taxpayer properly chooses to apply.</p> <p>Shared services arrangement (SSA): If a taxpayer elects to use the SCM, it may further elect to use an SSA. An SSA permits cost allocation on the basis of reasonably anticipated benefits under a relaxed standard. Specifically, the Commissioner must respect the allocation basis if the taxpayer only "reasonably concluded" that its chosen cost allocation basis most reliably reflects the respective shares of reasonably anticipated benefits. In contrast, absent the rule for SSAs, the Commissioner must respect an allocation basis only if it most reliably reflects the respective shares of reasonably anticipated benefits.</p>	-	
4	-		-	
5	-	The predecessor of the SCM was established in 1968 but was revised materially in 2006 to address its susceptibility to abuse in some cases.	-	

Q6 Is the simplification measure an option for taxpayers to comply with the general transfer pricing obligations or an exclusion from the general transfer pricing obligations? An option here is understood as an alternative (presumably simpler) way to comply with a transfer pricing obligation, while an exclusion is where the law automatically excludes some taxpayers or transactions from the scope of transfer pricing obligations. (An option / An exclusion)

	Loans	Low value-added services	Small transactions	SMEs
	Safe harbour interest rate	Simplified transfer pricing method: Services Cost Method (SCM), and associated Shared Services Arrangement (SSA) for SCM transactions	Simplified APA procedures	
-	Option	Option	Option	

Q7-1 Does the simplification measure involve alleviated documentation requirements, alleviated penalties, and/or other alleviated compliance burdens? (Yes / No)
-2 If yes, please describe how they are alleviated through the simplification measures.

	Loans	Low value-added services	Small transactions	SMEs
	Safe harbour interest rate	Simplified transfer pricing method: Services Cost Method (SCM), and associated Shared Services Arrangement (SSA) for SCM transactions	Simplified APA procedures	
1	Yes Alleviated compliance burdens	No	Yes Alleviated compliance burdens	
2	Taxpayers may choose to use a safe harbour interest rate that is based on the “applicable Federal rate” (AFR). In general, the rule allows interest to be charged at a rate not less than the AFR and not greater than 130 percent of the AFR. (The AFR is determined monthly and is based on the average interest rate on federal government debt with similar maturity dates.)	-	<ul style="list-style-type: none"> - The APA Program will commence its due diligence analysis earlier in the process to accelerate the conclusion of the APA negotiations - A taxpayer will be advised of the APA Team’s initial conclusions before the prefiling conference so that it can address these items before or at the conference - Before a taxpayer submits an APA request, the APA Program and the taxpayer may agree to reduce or eliminate specific items that would otherwise be required - The APA Program will endeavour to hold meetings with the taxpayer at a location convenient to the taxpayer - At the taxpayer’s request, the APA Program will assist the taxpayer in the selection and evaluation of comparables, as well as the computation of any appropriate adjustments to comparables - The APA Program may consider other procedures suggested by the taxpayer to reduce the taxpayer’s administrative and financial burden, consistent with the objectives of the APA Program and the requirements of § 482 	

Q8	Are there administrative practices that simplify the application of transfer pricing in practice? For instance, does the tax authority have criteria or thresholds below which it would not audit or adjust a controlled transaction for transfer pricing purposes?
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|------|--|
| Q9-1 | - Do you have an estimate of how many taxpayers benefit from the transfer pricing simplification measures? |
| -2 | - Is an assessment made of the costs and benefits implied by the transfer pricing simplification measure from the perspective of the tax authority, e.g. lost tax revenue and saved enforcement costs? |
| -3 | - Has the transfer pricing simplification measure achieved its objectives in terms of increased certainty for qualifying taxpayers? Of diminished compliance burden? |

1.

2. Based on the relative lack of controversy in connection with this rule [on the safe harbour interest rate], we believe it has provided certainty for taxpayers and has freed audit teams to pursue bigger and more important issues. Thus, the informal determination has been that the potential for whipsaw is outweighed by the benefit of avoiding costly but relatively unproductive audits of loans that do not involve taxpayers in the lending business. It is thus one of the few instances where a safe harbour has been deemed appropriate in simplifying the administration of transfer pricing.

The objective of the rule [on the services cost method] is to administratively take low value services off the audit table so that both audit teams and taxpayers can devote their resources to more significant transfer pricing or other audit issues.

There is a whipsaw potential, but such whipsaw is believed to be minimal in comparison with the corresponding benefit gained through conservation of audit resources

3.

- | | |
|-----|---|
| Q10 | - Are you aware of any double taxation case that may have been caused by the application of your country's simplification measure(s)? |
| | - Are you aware of any double taxation case that may have been caused by the application of another country's simplification measure? |

No

- | | |
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| Q11-1 | Are transactions among domestic related parties also subject to the arm's length principle? (Yes/No) |
| -2 | If yes:
- Do domestic related party transactions qualify for the same simplification measures as cross-border transactions between associated enterprises? |
| -3 | - Do domestic related party transactions qualify for other simplification measures that are not available to cross-border transactions between associated enterprises? |

1. Yes. The arm's length principle and any simplification measures thereunder apply equally to both domestic and cross-border transactions

2. Yes. The arm's length principle and any simplification measures thereunder apply equally to both domestic and cross-border transactions

3. No

EUROPEAN UNION

Set up in 2002, the EU Joint Transfer Pricing Forum (JTPF) is an expert group composed of EU Member States and private-sector experts in the field of transfer pricing. The JTPF assists and advises the Commission on EU transfer pricing tax issues.

The remit of the JTPF is to provide pragmatic, non-legislative solutions, within the framework of the OECD Guidelines, to the practical problems encountered when implementing EU MS transfer pricing rules. The JTPF outcomes take the form of clarifications on points of difficulty and suggestions on how to simplify the process involved in the evaluation of transfer prices.

To date Member States have agreed to and given a political commitment to implement: codes of conduct for the effective implementation of the Arbitration Convention - the EU transfer pricing double taxation dispute resolution mechanism; a code of conduct on transfer pricing documentation for associated enterprises in the EU; and guidelines for Advance Pricing Agreements within the EU.

More recently, a JTPF report has been agreed to cover: “Transfer Pricing and Small and Medium-sized Enterprises”.

Additionally, an ongoing JTPF work programme item is the monitoring of the effectiveness of the implementation of its previously agreed simplification measures.

Furthermore, it is expected that the Economic and Financial Affairs Council at its meeting of 17 May 2011 will also adopt conclusions on “Guidelines on low value adding intra-group services” and “Potential approaches to non-EU triangular cases”.

The work done by those OECD members who are members of the JTPF also contributes to their individual country transfer pricing simplification measures and so is of relevance to your questionnaire. Finally, the continued support given by Member States, the large majority of whom are also OECD members, to the work of the JTPF demonstrates their commitment to seek out simplification measures.