

OCED releases discussion draft Transfer Pricing Documentation

Category: News Alert

- The organization for Economic Co-operation and Development ('OECD') has released a discussion draft on Transfer Pricing documentation pursuant to Action 13 under the Base Erosion and Profit Shifting ('BEPS') action plan
- It is proposed that such documentation guidelines would replace the Chapter V relating to 'Documentation' of the 'OECD Transfer pricing Guidelines for Multinational Enterprises and Tax Administration, 1995'
- The main objective of the revised draft is to provide guidance to the tax administrators on relevant information to conduct transfer pricing audits and risks assessments; to increase transparency and availability of information to the tax administrators; and to ensure that taxpayers give appropriate consideration to the transfer pricing requirements at the time of intra-group transaction and decision making
- The revised draft proposes a two tier approach to documentation namely master file and local file
- Further, it proposes and analyses important aspects on time frame and materiality for maintenance of documentation, frequency of updation, penalties, confidentiality and implementation
- To increase transparency and information exchange, OECD also proposes a country-by-country reporting of various revenues and taxes for an MNE group
- The revised draft is open for public consultation till 23rd February 2014