

Transfer Pricing Comparability data and Developing countries – OECD draft

Summary of draft for public consultation:

- OECD and non-OECD countries frequently express concerns about the availability and quality of financial data on transactions between unrelated parties that can be used for comparisons, as well as the availability and quality of information regarding the financial results of operations of independent enterprises
- The G8, under the presidency of United Kingdom, requested OECD ' to find solutions to address concerns expressed by the developing countries on the quality and availability of the information on comparables
- The United Nation Practical Transfer Pricing Manual for Developing countries highlights specific challenges in practical applicability of principle of comparability, as follows:
 - a. Fewer organized players in a developing economy and finding appropriate comparable could be difficult
 - b. Incompleteness of financial information or non-availability of information
 - c. Lack of comparables due to recent opening up of economy
- To address the issues, the following suggestions are made by OECD:
 1. Expanding access to data sources for comparables, including steps to improve the range of data contained in commercial databases, expand developing country access to such databases, and improve access to data in developing countries with a significant number of sizeable independent companies.
 2. More effective use of data sources, including guidance or assistance in the effective use of commercial databases, the selection of foreign comparables, whether and how to make adjustments to foreign comparables to enhance their reliability, and alternative approaches to finding comparables.
 3. Approaches to identifying arm's length prices or results without reliance on direct comparables, including guidance or assistance in making use of proxies for arm's length outcomes, the profit split method, value chain analysis, and safe harbours, including use of 'Sixth method'
 4. Implementation of Advance Pricing Agreements and Mutual Agreement Procedures

OECD has invited comments on the draft by April 11, 2014