

Opening remarks by Mr. Navid Hanif
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To the UN Webinar on COVID-19 Impact on Transfer Pricing
18 March 2021

Distinguished Speakers, Participants,

Welcome to this webinar on the COVID-19 Impact on Transfer Pricing.

The pandemic, with its health and socio-economic impact, is a crisis of unprecedented proportions. It has disrupted almost every aspect of our lives. This also includes disruption of business supply chains and operations.

As a result, businesses have had to adjust their operations to deal with the consequences of the pandemic. This has led, inevitably, to changes in their transfer pricing positions and posed related challenges for tax administrations. Building capacity to conduct transfer pricing analysis in these challenging times is crucial for countries' efforts to mobilize resources to finance response and recovery. This UN Webinar is designed to help governments to deal with these issues.

The webinar engages policy makers, tax administrators, civil society and other stakeholders on the transfer pricing challenges posed by the COVID-19 pandemic. Special attention is paid to three sets of issues.

First, transfer pricing challenges of the Covid-19 pandemic. How are extraordinary losses and gains to be attributed? Extraordinary gains or (in many cases) losses need to be properly attributed to entities, according to their functional and risk profiles. The existing transfer pricing policies will be affected by an economic downturn, meaning that transfer pricing models may need to be adjusted. In addition, businesses need to ensure that their transfer pricing policies take into account any government aid received to mitigate the impact of the crisis.

Second, comparability analysis in times of economic downturn. Transfer pricing analysis has often proved challenging for many developing countries, given the lack of reliable local comparables. COVID-19 has exacerbated this challenge. The fundamentals of comparability still apply, however, and we will hear about the continuing relevance of the UN Practical Manual on Transfer Pricing for Developing Countries and OECD guidance on the arm's length principle, in good and bad times. Functional analysis will also be affected by the remote working arrangements, which change the staffing component, and by funding and financing arrangements, which may have changed considerably through restructuring to assure liquidity, re-pricing of interest rates or lowering of the rates and deferral of the repayments.

Third, dispute avoidance and resolution mechanism. In these unprecedented times, disputes are even more likely to arise. It is important to focus on avoiding and resolving these disputes in order to minimize double taxation. The effective use of advance pricing agreements and mutual agreement procedures, as well as other mechanisms to promote tax certainty, will be central to managing the uncertainty caused by the COVID-19 pandemic.

We are privileged to have renowned experts in international taxation from different backgrounds, representatives of international organisations, government, civil society, the private sector and academia as our panellists in this webinar. These include some Members of the UN Committee of Experts on International Cooperation in Tax Matters and its multi-disciplinary subcommittee on updating the UN Manual on Transfer Pricing.

We look forward to open and active interaction among experts and participants during the panel discussions and Q&A session.

We are keen to hear your feedback and suggestions on how UNDESA can help you in your efforts to find solutions to tax and transfer pricing challenges in the future. The best way to do is to complete the short survey immediately after the conclusion of the webinar.

Finally, I would like to take this opportunity to thank the Norwegian Agency for Development Cooperation (Norad) for its support. This Webinar comes to you as part of a UNDESA multi-donor project to strengthen support to the UN Tax Committee, its Subcommittees and related capacity development work. The goal is to ensure that international cooperation and policy & practical guidance on tax matters increasingly reflect and respond to the needs of developing countries, especially during these testing times.

Thank you for participating. Thank you to the experts serving as panellists.

I wish you a fruitful event!