Opening remarks by Mr. Navid Hanif
Director, Financing for Sustainable Development Office, UNDESA
to the UN Webinar on the Transfer Pricing Aspects of Financial Transactions
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Distinguished Speakers, Participants,

On behalf of the Department of Economic and Social Affairs, I welcome you to this UN Webinar on the Transfer Pricing Aspects of Financial Transactions. Our purpose is to answer calls from developing countries by introducing the UN's guidance on this topic and share practical views and insights from our panellists. By the end of today's Webinar, you will have acquired an overview of the challenges of financial transactions, such as the lack of comparables and the treatment of implicit group support. And our panellists will give your practical insights on how to deal with these challenges.

During capacity development events, developing country representatives have identified financial transactions as a "hot topic". This led the UN Committee of Experts on International Cooperation in Tax Matters and its Subcommittee on Article 9 – Transfer Pricing to start developing guidance on this topic. The guidance will form part of the update of the United Nations Practical Manual on Transfer Pricing for Developing Countries. The third edition of the Manual will be published next month, culminating four years of dedicated work by the Committee and its Subcommittee, a diverse group of transfer pricing experts from tax administrations, the private sector and academia.

The 2021 Manual offers new guidance on Cost Contribution Arrangements and an updated chapter on dispute resolution mechanism, as well as the new, dedicated guidance on financial transactions that we share today. That guidance focuses on intercompany loans and guarantees, that are the two most utilized types of financial transactions. It gives insight into scrutinizing the characteristics of a financial transactions; the process and system of credit rating; potential transfer pricing methods; and use of simplification measures and safe harbours. In doing so, the Transfer Pricing Manual offers practical insights, taking into account the different situations of developing countries which may be in the process of building up capacity in this important area.

Financial transactions, in the form of intercompany loans and guarantees, are a normal part of how companies operate and can have a significant influence on a taxpayer's transfer pricing position.
Moreover, as money is fungible, financial transactions are a simple mechanism for a multinational enterprise (MNE) to shift debt to group companies in order to claim an interest deduction. Such shifting of debt will reduce taxable profits in the jurisdiction of the borrower. Depending on the situation of the group lender and the tax rates in the two jurisdictions, it can also reduce the MNE group's overall tax liability. That would mean a reduction in countries' tax revenues and, ultimately, their ability to finance sustainable development.

We are privileged to have renowned transfer pricing experts with us today - from international organisations, governments, civil society and the private sector. These include some Members of the UN Tax Committee and its Subcommittee on Article 9 – Transfer Pricing.

We look forward to open dialogue among our speakers and with our audience and encourage all of you to ask questions during the sessions and the Q&A session. Please give open and honest feedback after the webinar on how these UN Webinars can help you in your efforts to find solutions to tax and transfer pricing challenges. We will make a short survey available immediately after the conclusion of the Webinar.

Finally, I would like 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 and practical guidance on tax matters increasingly reflect and respond to the needs of developing countries.

By focusing on fostering capacity of developing countries to detect and circumvent profit shifting through financial transactions, countries will be able to weather short-term fiscal shocks and build resilience, which will ultimately aid in financing their sustainable development.

Thank you and I wish you a fruitful event!

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